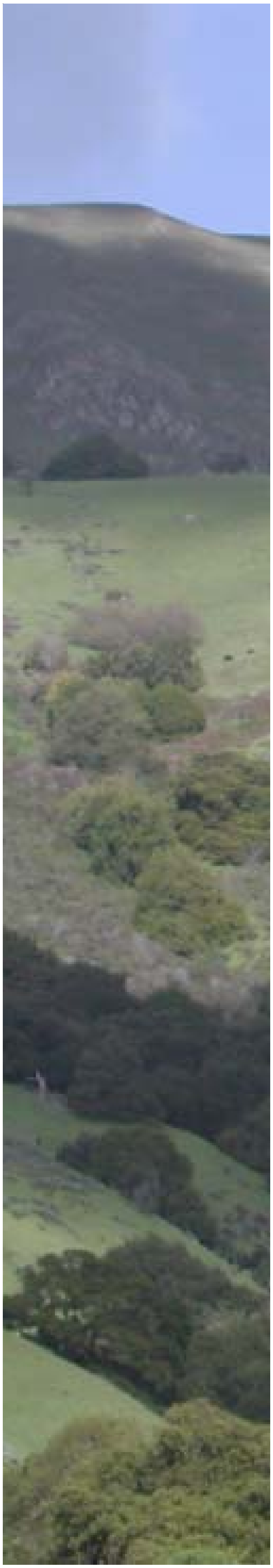

CITY OF
Fremont

# 2003/04 Adopted Operating Budget

## City Council

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Bob Wasserman, Councilmember
Steve Cho, Councilmember
Dominic Dutra, Councilmember

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished Budget Presentation Award*

PRESENTED TO

City of Fremont,

California

For the Fiscal Year Beginning

July 1, 2002

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Presentation to the City of Fremont for its annual budget for the fiscal year beginning July 1, 2002.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The award is valid for a period of one year only. This is the fifth consecutive year the City has earned the award. We believe our current budget continues to conform to program requirements.


## Acknowledgments

Putting together a budget requires a great deal of effort from many people. The City Manager and Budget Team would like to thank the Budget and Accounting Services Staff, Department Budget Coordinators and others for their invaluable assistance:

### Budget and Accounting Services Staff

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# Guide to the Document

The budget is a spending plan for the financial resources available to the City. Through these resources, services are provided to meet the needs of Fremont residents. The City Council and City staff respond to the community's needs in part through the budget. It balances not only revenues and costs, but also community priorities and interests.

## Document Organization

### Budget Overview

The City Manager's Budget Overview summarizes the budget in two major sections. The first section sets the context for budget decisions by describing the conditions affecting the budget. It outlines major initiatives underway, challenges for the next year, and accomplishments of the prior year. The second section of the Budget Overview focuses on the financial implications of the budget. It summarizes the financial components, including revenue and expenditure trends.

### Strategic Plan

In 2002, the City Council adopted a Strategic Plan that outlines a vision for the long-term future of Fremont and proposes strategies and short-term goals for achieving them. This section presents the plan and a summary of prior year accomplishments advancing the City Council's long-term goals.

### Summary Information

This section of the document gives the reader an overall picture of the City and the budget. It includes a description of the community, an organization chart, summary financial tables, and a summary of departmental budgetary changes and Citywide position changes.

### General Fund

Local government budgets are organized by funds in order to segregate and account for restricted resources. Each fund is a separate accounting entity. The General Fund provides the majority of resources for most of the services cities typically offer, and includes financial resources expended for public safety and for general support services needed for City operations.

### Five-Year Forecast

Fremont's five-year forecast is an integral tool in the City's long-range financial planning. The economic recession of the early 1990s highlighted the importance of monitoring projected revenues and future expenditures to ensure that any added ongoing costs can be met with realistic future revenue streams. The five-year forecast is updated after the first quarter and at mid-year, and again during budget development for the following year, using the most current information available.

## Other Funds

The Other Funds section contains information regarding non-General Fund sources of revenue. These funds are grouped into Cost Centers and Internal Service, Special Revenue, Redevelopment Agency, and Capital. A description of each of these types of funds is provided in this section, along with a financial summary.

## Departmental Detail

The majority of the budget document is divided into departmental sections. Different types of information, both financial and narrative, are provided for each area. Each section contains the following information:

- **Mission Statement**
- **Description of Responsibilities and Services -** The purpose of this paragraph is to give the reader an understanding of the scope and breadth of the ongoing functions and responsibilities of a service area.
- **Service Objectives -** A list of objectives for each department is given.
- **Sources of Funding -** This information is in graphic form and illustrates the funds from which the department receives financial resources. Funds other than the General Fund help pay for the costs of administrative departments of the City through interfund transfers to the General Fund. This contribution is shown on the charts as "overhead charges to other funds."
- **Financial Summary -** This financial table gives the salary and benefits, operating, and capital costs associated with the department for FY 2003/04. It also provides historical information so the reader can examine trends and previous funding levels.
- **Major Budget Changes and Strategies for Transition -** A description is provided of the major budget increases and decreases when compared with the previous year's budget. This section also includes a discussion of the impacts of budget reductions on department service levels.
- **Staffing -** A historical staffing graph shows the level of staffing for each area. Trends are easily identified. In addition, an organization chart is included that displays individual positions and titles.

## Staffing

This section contains a summary of authorized positions by department and provides perspective on workforce trends.

## Policies

This section details budget and financial policies adopted or proposed for adoption by the City Council.

## The City of Fremont's Five-year Capital Plan

The Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP), which was adopted by the City Council in June 2003, includes appropriations for projects for FYs 2003/04 and 2004/05. These funds are included with the operating budget in summary to present a comprehensive picture of all the funds of the City and to reflect fund transfers approved between other operating funds and capital funds. The CIP/ICAP funds are described in the Capital Funds section, along with a summary of capital expenditures by program area and a description of some key projects.

## Basis of Accounting

The budget is adopted on a modified accrual basis of accounting, consistent with generally accepted accounting principles. Under the modified accrual basis, revenues are recognized when they are susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

## Long-Range Financial Planning

The City maintains a five-year forecasting model for operating revenues and expenditures and produces a five-year capital plan, which includes debt service. The five-year operating forecast is updated continuously and presented to the City Council after the first quarter of operations each year, at mid-year, and during the budget process for the next fiscal year. The City's five-year capital plan is updated every two years.

## Basis of Budgeting

The harsh economic downturn, coupled with the uncertainty associated with the State's financial crisis, has prompted the City to review and modify many elements of its budget practices. Historically, each department received an annual appropriation sufficient to fund current service levels and approved one-time expenditures. For FY 2003/04, an additional reduction step is required to balance the budget.

- **Base Budget**: The FY 2003/04 General Fund operating budget was determined by taking the adopted budget from FY 2002/03, reducing it for any one-time appropriations the department received, adding an inflation factor for cost increases to account for the results of negotiated bargaining unit agreements and inflation, and then taking an additional reduction of 11% to 36% in order to balance the budget for the year.

- **Revenues:** The General Fund receives revenues from a variety of sources, including sales and property tax, interest income, vehicle license fees, and charges for services. The City charges for some services at rates which, where possible, match the cost of providing the service. Several departments charge for services such as hazardous materials checks, animal vaccinations and sterilization services, and counseling. General Fund revenues that exceed projections will be programmed in the five-year budget model.

- **Expenditure Control:** In recent years, the City has operated very effectively with relatively decentralized authority for departments' management of resources. Consistent growth in annual revenues, coupled with a culture of responsible management, fostered an environment in which department heads exercised considerable flexibility in hiring staff and using other resources to provide effective and customized services. Unfortunately, the City can no longer afford to continue with this degree of flexibility. Our fiscal restraints require a more centralized approach to making staffing and expenditure decisions to ensure the best citywide resource management decisions. The most significant changes from prior policies relate to position vacancy management, the use of prior year budget savings, and assigned revenues.

Vacancy management remains a powerful tool for transitioning the organization within new economic constraints. Emerging vacancies represent resources that may be re-programmed for the highest citywide priority. Therefore, departments will no longer have automatic authority to fill vacancies as they arise. To ensure that citywide savings are available for citywide priorities, a vacancy review committee (comprised of the City Manager, Deputy City Manager/CFO, and Human Resources Director) is the central clearinghouse for all decisions related to filling vacancies.

Historically, departments received limited annual budget increases to cover inflation-related costs. In exchange for such limited budget increases, departments retained authority to re-program operational savings for reinvestment in their services, consistent with City Council priorities. In November 2001, departments' authority to re-program their savings was partially curtailed before being fully suspended in FY 2002/03. Department savings are now part of the General Fund fund balance, which is being used to fund the transition to a lower revenue base.

## Reserves

The General Fund maintains reserves with specific policies. The Contingency Reserve and Program Investment Reserve were both adopted by the City Council on June 4, 1996. The third reserve, called the Budget Uncertainty Reserve, was adopted on June 4, 2002. A modification to this third reserve is recommended in this budget.

- **Contingency Reserve Policy**

  The City maintains a Contingency Reserve for operations to help mitigate the effects of unanticipated situations such as natural disasters or severe, unforeseen events. The Contingency Reserve also provides back-up liquidity to the Risk Management Fund.

  The Contingency Reserve is maintained at a level at least equal to 12.5% of annual operating expenditures and transfers out. All uses of the Contingency Reserve are approved by the City Council. Any such uses are repaid to the Contingency Reserve over a period of no more than three years.

- **Program Investment Reserve Policy**

  The City maintains a Program Investment Reserve to provide a source of working capital for (1) new programs or projects that have the potential for receiving significant funding from outside sources; and (2) organization retooling, process improvement, and strategic entrepreneurial opportunities. The Program Investment Reserve is funded at a level at least equal to 2.5% of annual operating expenditures and transfers out. All uses of the Program Investment Reserve are approved by the City Council. Any such uses are repaid to the Program Investment Reserve over a period to be determined by the City Council at the time of usage approval, with a target repayment period of no more than three years.

- **Budget Uncertainty Reserve Policy**

  This reserve was established with the adoption of the FY 2002/03 budget as a temporary measure to support expenditure reduction targets and more aggressive revenue collection assumptions. Its purpose is to provide a source with which to offset budget shortfalls without having to respond with an immediate budget reduction.

  In the FY 2003/04 budget, this reserve is being made permanent, its funding level increased to $7.9 million, and its scope increased to cover risks associated with short-term revenue shortfalls, risks to the City posed by the State budget crisis, and unavoidable cost increases.

# Budget Process and Calendar

The budget process enables the City Council to make resource allocation decisions, including choices about staffing, technology, equipment, and priorities to be addressed in the coming fiscal year. Although the City Council first reviews the budget in May, the Finance Department and other departments begin to prepare it at least six months prior, along with projections of City revenues, assessment of City needs, and an understanding of the City's financial position.

## Budget Process

The City of Fremont's Annual Operating Budget is adopted by the City Council by July 1 of each fiscal year. In producing the budget, the Budget Team receives input from the public, City Council, and staff from throughout the organization.

In November, the City Manager and the Executive Management Team begin to establish objectives for change and improvement in the upcoming year. At the mid-year budget review in February, the City Council provides general feedback and direction regarding proposed priorities for the future programming of General Fund resources. Using this direction, and the Finance Department's projections of revenues and expenditures, each department prepares a proposed budget. The Budget Team works closely with department managers to ensure that within budgetary constraints, budgets reflect the City Council's interests, priorities, and departmental goals.

Several weeks before the budget is scheduled to be adopted, the City Manager presents information to the City Council and the public about departmental accomplishments in the current fiscal year and goals for the coming fiscal year. Budget documents are available for the public at the public hearings, the City Clerk's Office, public libraries, and through coverage by the local press.

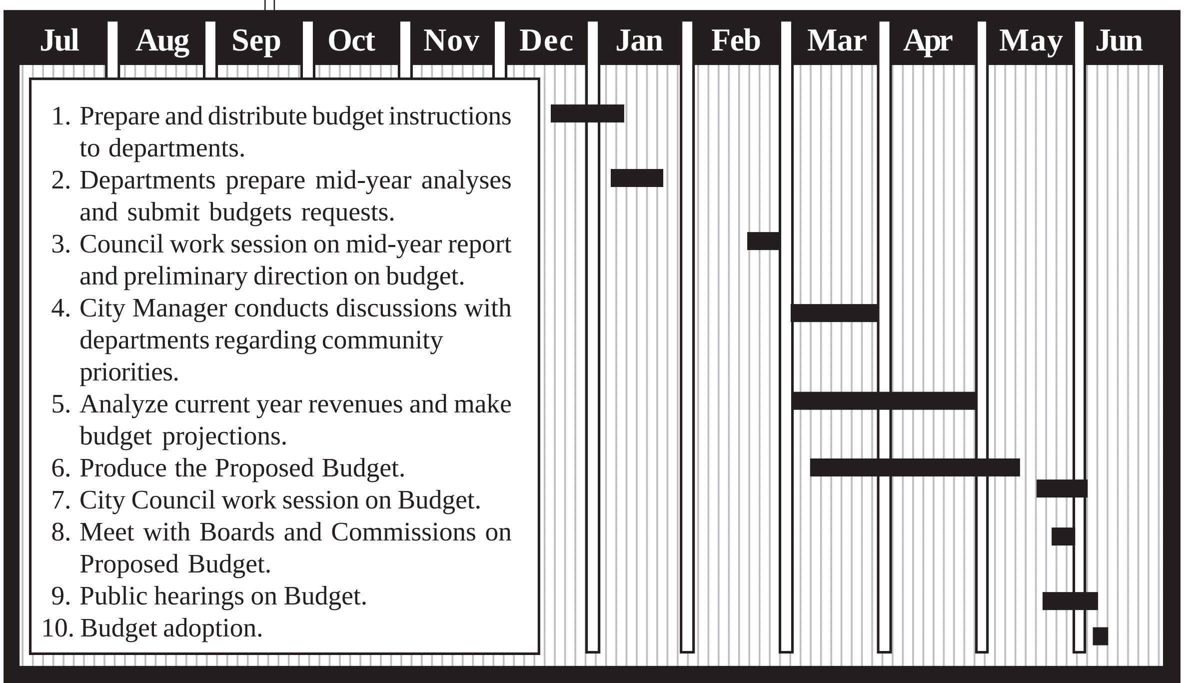
The City Manager presents the budget to the City Council in a televised public forum. Included in the City Manager's presentation are an update of the City's financial position and long-range plan; a review of the national, state, and local economies and discussion of financial policies; and an update on department activities. After reviewing the proposed budget and receiving public comment at public hearings, the City Council may direct staff to revise the proposed budget. On or before June 30, the City Council votes to adopt the budget, including any amendments to the proposed budget that may occur. At any meeting after the adoption of the budget, the City Council may amend or supplement the budget.

Upon final adoption, the budget becomes the legal authorization for the various departments to expend resources, subject to any controls established by the City Manager and City Council. The City Council has adopted several financial and budgetary policies, which address debt, reserves, and spending authorizations, and which help guide long-term planning. These are found in the "Policies" section of this document.

## Citizen Participation

Citizens of Fremont are encouraged to participate in the budget planning process through a variety of avenues, such as participating in Council-appointed boards and commissions, attending budget study sessions and public hearings, or meeting with City staff. Study sessions, which are open to the public, are held to report on the City's budget one quarter into the fiscal year and again at mid-year. Policy issues that may affect the upcoming budget are raised at these sessions.

Public hearings on the budget occur at the end of May and the beginning of June. Citizens have the opportunity to speak about the budget issues at these hearings and at any City Council meeting during the year. All Council meetings and budget study sessions are televised on the local cable access channel.




The City Council heard a presentation of the City Manager's proposed FY 2003/04 budget at a televised work session on May 20, 2003.

Televised public hearings were also held on June 3 and June 10, 2003. The budget was adopted on June 10, 2003. The Redevelopment Agency's budget was also adopted on June 10, 2003.

# Honorable Mayor and Members of the City Council:

## Executive Summary

These are unsettling times for the City of Fremont. The prolonged recession that has gripped our country and hit the Silicon Valley particularly hard has reduced our revenues dramatically. Our sales taxes, hotel/motel taxes, and interest income have all seen dramatic drops over the past two years. With less revenue available, and higher costs on the horizon, we have to reduce our spending now in order to resize the organization to a level at which our expenditures do not exceed our reduced revenues.

At the February Mid-Year Budget Review, we presented a plan for balancing the five-year forecast in this new economic environment. The plan involved reducing our expenditures by $22,000,000, laying off valuable staff, and cutting important programs. This was a difficult step for the City Council to take. However, it was necessary to allow us to transition to our new, lower revenue base. We have already taken steps to implement the plan the City Council approved in February. The adoption of this budget will allow us to continue on the path toward financial recovery.

*Entrance to City Hall*

The proposed $106,800,000 FY 2003/04 General Fund spending plan is $14,400,000 less than the adopted budget for FY 2002/03. Because the FY 2003/04 budget includes contractual increases for personnel-related costs and inflation on goods and services, the budget is $22,000,000 less than what it would have been if service levels adopted in the FY 2002/03 budget had been maintained. Resources (including revenues of $96,700,000 and transfers in of $6,700,000) for FY 2003/04 are projected to be $103,400,000. This compares to an adopted FY 2002/03 resources level of $118,100,000. Even with a $14,400,000 reduction this year, expenditures and transfers out will still exceed projected revenues and transfers in, requiring the City to consume $3,400,000 in unallocated fund balance in FY 2003/04.

The revenue loss we have experienced over the past two years has caused an imbalance in our budget and forced us to reduce spending dramatically. Although we expect FY 2003/04 revenues to be nearly the same as those in FY 2002/03, and then begin to grow in FY 2004/05, this revenue growth cannot overcome the large cost increases we face in the near future. Starting in FY 2004/05 and continuing through FY 2007/08, the last year of our five-year forecast, rapidly increasing California Public Employees Retirement System (CalPERS) rates will leave the City with a growing imbalance between revenues and expenditures. Absent new revenues or a steep upturn in the economy, the City will be forced to make additional, difficult reductions in future years in order to balance the budget.

## The State of the Economy

The world economy has been in decline for several years and shows no sign of quick recovery. The United States and Great Britain went to war in Iraq in mid-March, sending the stock markets on a roller coaster ride as investors reacted to battles won and lost. We continue to see signs that businesses and leisure travelers are reining in spending on travel—already weakened from the recession—because of increased security fears and the emergence of a new infectious respiratory disease sweeping through Asia. Major airlines are reducing their service domestically and internationally and laying off employees, and hotels are suffering from low occupancy rates.

Meanwhile, the national economy is still reeling. The September 11, 2001, attacks, corporate accounting scandals and high-profile bankruptcies, soaring health care costs, and the collapse of the high-tech sector are all contributing to the ongoing national economic sluggishness. While consumer spending on cars, homes, and other durable goods has kept the economy from sinking even further into recession, this bright spot in the economy has also begun to slow. According to the Commerce Department, consumer spending nationwide rose 1.7% in the last quarter of the calendar year (October–December), a sharp slowdown from the third quarter’s 4.2% gain.

At the State level, California is facing its worst fiscal crisis in years, with an estimated deficit of $26 billion to $35 billion. (The Governor’s Department of Finance and the nonpartisan Legislative Analyst's Office differ in their estimates.) The State has faced a large and ongoing imbalance between revenues and expenditures since the stock market turned in FY 2001/02. According to the Legislative Analyst's Office, personal income taxes attributable to stock options and capital gains peaked at $17 billion in FY 2000/01, but fell abruptly following the stock market decline—to under $6 billion in FY 2001/02. This unprecedented 66% decline is the key factor behind the $10-plus billion annual difference between State revenues and expenditures that began in FY 2001/02. As Sacramento Bee columnist Dan Weintraub explained, "Most of the multi-billion-dollar revenue drop that has sent state government into a fiscal tailspin can be traced to fewer than 50,000 returns filed by the wealthiest people in this relatively well-off state. The total tax paid by a tiny sliver at the top of the income heap—those making more than $1 million a year—declined by $7 billion between 2000 and 2001." As the acclaimed New Economy sputtered, high-tech companies closed their doors, and high-salaried employees lost their jobs. The combination has sent State revenues—both from personal income taxes and sales taxes—plunging, while jobless rates have climbed to 6.6%, the highest in the country.

At the City's November 2002 First Quarter Budget Update, we suggested the prolonged recession in the Silicon Valley could be indicative of a fundamental restructuring of the high-tech economy. The data seem to confirm our fears. The Nasdaq composite index has been falling steadily for three years. On March 10, 2000, the Nasdaq reached its all-time high of 5,0489.62. Three years later, it was down 75%, closing at 1,278.37. Along the way, 28 publicly traded companies in Silicon Valley filed for bankruptcy; 4,854 Internet companies nationwide shut down or were acquired; and 191,500 Silicon Valley jobs were lost.

*One of Fremont's many Silicon Valley businesses*

During the height of the high-tech boom, Silicon Valley companies had more jobs than available workers and relied on foreign workers to fill their ranks. High-tech companies even pressured the federal government to expand the H-1B visa program (which brings specialized workers into the country) because the domestic pool of workers was too small. Now, unemployment in Santa Clara County, the heart of Silicon Valley, is soaring, and many of the H-1B visa holders have returned to their home countries. According to the State's Economic Development Department, unemployment reached 8.5% in February. This compares to a statewide rate of 6.6%, and a nationwide rate of 5.5%.

While there are a variety of factors contributing to Santa Clara County's high unemployment rate, the large number of companies shutting their doors completely or moving segments of their operations abroad to take advantage of inexpensive labor is certainly a prime reason. Cisco Systems, LSI Logic, Hewlett-Packard, Intel, PeopleSoft, Solectron, Sun Microsystems, Oracle, Charles Schwab, and Sybase have all outsourced work to India as a way of reducing labor costs (tech worker salaries in America are five times those of tech workers in India) and capital expenditures. Forester Research, Inc., recently estimated that $136 billion in U.S. wages, or about 3.3 million jobs in software, product development, back-office accounting, and call center support will move offshore to India, Malaysia, China, Russia, and the Philippines in the next 15 years.

*"Fremont has been particularly hard hit by the collapse of the high-tech sector and the trend toward moving operations abroad."*

Fremont has been particularly hard hit by the collapse of the high-tech sector and the trend toward moving operations abroad. Just three years ago, sales tax and hotel/motel tax revenues were up dramatically, and Pacific Commons was on the fast track to bring 25,000 jobs to Fremont. In fact, the City closed the fiscal year in June 2001 with $16,000,000 more in revenue than anticipated when the budget was adopted. It seemed the recession taking hold in the rest of the country was going to bypass Fremont and Silicon Valley.

Just a few months later, it became clear the recession had come to Fremont, and the tech bubble had burst. Wages earned in the computer/information technology/electronics cluster in Fremont dropped from $491,175,022 in the first quarter of calendar year 2001, to $392,303,842 in the fourth quarter of the same year, a drop of almost $100,000,000 in less than a year. Unemployment in Fremont grew from 2% in 2000 to 4% in 2002. Federal law requires employers with more than 100 employees to issue Worker Adjustment and Retraining Notification Act (WARN) notices 60 days in advance of plant closings and mass layoffs. In calendar year 2000, the City received notice that 904 people in Fremont were losing their jobs. In 2001, the City received WARN notices covering 5,375 employees, and in 2002, the City received WARN notices of 2,524 jobs lost. Because WARN notices only cover facilities with 100 or more employers, the total number of jobs lost each year is even higher.

This recession has proven how much Fremont has become a part of Silicon Valley and its economy. While many cities are facing difficult financial times due to increased CalPERS rates and the possibility that the State will take city money to help balance its own budget, Fremont's budget problems are magnified by the bursting of the high-tech bubble. Because high-tech growth in Fremont has been relatively recent and has been concentrated in new, fast growing entrepreneurial companies and contract manufacturers, the City has been severely affected by the downturn.

In Fremont, business-to-business sales taxes are a key indicator of the health of our high-tech sector. Once a strong driver of Fremont's economy, these revenues have fallen off dramatically over the past two years. In calendar year 2000, business-to-business sales brought in just over $13,000,000, or 42% of our total sales tax revenue. By calendar year 2002, business-to-business tax revenues were down to $8,300,000, or 34% of total sales tax revenues. The last time business-to-business sales tax revenues dipped below $10,000,000 was 1996. It's possible the economic gains we saw in the late 1990s and early 2000s will not return for many years.

## Resizing the Organization

*"In late 2001, when it became clear that our revenues were insufficient to support our expenditures, we took immediate action to slow our spending to match our new, lower revenue base."*

In late 2001, when it became clear that our revenues were insufficient to support our expenditures, we took immediate action to slow our spending to match our new, lower revenue base. We reduced our revenue projections, put the brakes on spending, and held many positions vacant. We also created a $6,200,000 Budget Uncertainty Reserve as part of the FY 2002/03 budget to serve as a buffer in case our revenue projections fell short again. At the time, economists were predicting that recovery would happen in the summer of 2002. We felt confident that our creation of the Budget Uncertainty Reserve, coupled with our reductions in expenditures, would carry the City through to the recovery. Unfortunately, as we closed the books on FY 2001/02 in September 2002 and received new revenue information, we saw that our revenues had not recovered, and had actually gotten much worse than projected.

We realized that we needed to make immediate reductions in the current fiscal year to compensate for the continued steep decline in our revenues. All departments immediately began reducing spending, and we began a process to implement mid-year budget reductions of about 10%. (This was on top of a 2% citywide reduction built into the FY 2002/03 budget.) Departments prepared detailed budget reduction plans, we implemented an immediate hiring freeze, and we revised our projections based on our new revenue information. As we revised our revenue projections downward and cut spending, we also received news that CalPERS was increasing its rates significantly because of poor portfolio performance. The gap between expenditures and revenues continued to widen despite our reduced spending.

In November 2002, we presented the Council with a Four Point Plan for restoring the City's fiscal health and closing the gap between expenditures and revenues. The plan included reducing expenditures, proposing new fees, recruiting retail, and exploring tax increases. We are continuing to move forward on all four points of the plan, with a particular focus on reducing expenditures and recruiting retail in order to rebuild our revenue base.

At the Mid-Year Budget Review in February 2003, the City Council approved a budget approach that will bring expenditures in balance with revenues by the beginning of FY 2004/05. More specifically, the plan reduces overall expenditures by $22,000,000, eliminates 224 positions (about half of these positions are vacant, while the remainder are filled by either permanent staff or temporary employees), eliminates any General Fund allocation for capital improvements, allocates $1,000,000 a year for investment in creating a downtown, and adds certain fees and other new revenues to the resource base.

The magnitude of the reductions we must make requires a thoughtful, systematic resizing of the organization. Over the past several months, each City department engaged in a process of reviewing the core services it provides to the community and identifying how it can restructure operations to deliver more limited services with fewer staff while preserving our commitment to quality. Such a resizing is not easy. Everything the City does, all of the services we provide, are important. We are fortunate to have loyal and hard-working employees. With our budget already so lean, the reductions we are making now are difficult for the community, for our employees, and for the City organization. The cuts we've already made in FY 2002/03, and those we have planned for the next two years, are very deep, and they are cutting into the heart of long-valued community services. The magnitude of the deficit we are facing, however, requires that deep cuts be made in every area of the organization.

For FY 2003/04, the Police, Fire, and Maintenance departments were directed to develop plans for reducing their budgets by 10%. Most of the remaining departments were asked to develop plans for reducing their


*The City of Fremont Fire Department responds to a call* budgets by 20%, while the Recreation Cost Center was directed to develop a plan for reducing its General Fund allocation by about 30%. After the plans were developed, we reviewed all of the budget proposals to understand the impact of the reductions and how reductions made in one department could affect the work of another department. (For instance, reductions in a department's capacity to perform some of its own personnel functions will increase the workload in the Human Resources Department.)

**Decisions about which services and positions to eliminate rested on the need to follow certain budget-balancing principles: focus on City Council priorities; make sure that our expenditures do not exceed our ongoing revenues; maintain some fund balance to pay for unexpected expenses; and balance our investments in infrastructure with our investments in services. While the decisions were difficult to make, without these cuts, we simply would not have been able to close the current gap in our budget.**

In FY 2003/04, the City as an organization will look very different, and many of the services we provide will be curtailed or eliminated. Some of the impacts include:

- Reductions in street reconstruction and street maintenance;
- Deferred maintenance in streets, parks, medians, buildings, and tree trimming;
- Maintenance focused on safety rather than appearance;
- Reduction of an engine company and closure of Fire Station 11 (Industrial), effective February 9, 2003; closure of a second company in February 2004;
- Joining regional fire dispatch consortium;
- Reorganization of the Maintenance and Recreation Services Department;
- Elimination of the Youth Opportunity and Employment Program;
- Elimination of evening meals at the Senior Center;
- Reduction in General Fund grants to local non-profit social service groups;
- Elimination of City-paid extra hours at the Alameda County Fremont Main Library and local branches;
- Reduction in hours and other services at the Animal Shelter;
- Reduction in Park Ranger services;
- Elimination of dedicated commercial truck enforcement on City streets;
- End to the Youth Diversion Program;
- Limited hours at the Police front desk;
- Elimination of the GUARD/DARE program;
- Elimination of the Street Crimes Unit;
- Reduction of most support for community special events, including funding for the Fremont Symphony;
- Closure of the Development Services Center counter one-half day per week; and
- Elimination of the City's traffic calming program.

We are in the process of restructuring our organization and services. The new organization will have fewer employees available to deliver services, and other resources will be much more limited. As we resize the organization to fit the resources, we will continue to strive for outstanding service to the community. Our organization's vision will remain the same:

> The people of our organization feel part of a team creating a strong and vital community, continually satisfying customers, and accomplishing this work with pride and enjoyment.

## Expanding our Revenues

The City's budget problems projected into the future cannot be solved through reduced spending alone. Our budget is already so lean that further reductions beyond those proposed for FY 2003/04 may be difficult for the community to accept. It is imperative that we expand our revenue base by levying appropriate fees, pursuing tax increases, and expanding our retail base.

*Fremont as seen from the East Bay hills*

### *Fees*

The City already charges fees in a variety of areas, including those for building permits, recreation classes, and development. By law, a fee may not exceed the estimated reasonable cost of providing the service or facility, including overhead. Most fees can be adopted by a majority vote of the Fremont City Council, though property-related fees are subject to a majority protest vote of affected property owners.

The City has been investigating opportunities to increase fees and retained a consulting firm specializing in fee analysis to assist in this process. The consultant reviewed the City's Master Fee Schedule and met with those City departments that administer fees to identify significant additional revenue opportunities from new or increased fees. Generally, the new or increased fee opportunities the consultant identified are those that City staff is already exploring. While the potential new fee revenue is not as large as hoped, the consultant's analysis points out that Fremont already effectively calculates fees for most City services, and passes City service costs to the fee payers who benefit from the services. As new fee opportunities arise, staff will return to Council for direction and/or approval.

*"Compared to many cities, Fremont has relatively few revenue sources, and our overall tax revenue is quite low for our size."*

### *Taxes*

Compared to many urban California cities, Fremont has relatively few revenue sources, and our overall tax revenue is quite low for our size. The fiscal philosophy of the community has caused the City to shy away from adding independent locally controlled revenues as part of the General Fund revenue mix. We rely heavily on our largest revenues: property taxes, sales taxes, and VLF (and the related backfill from the State), to fund most City operations. All three of these sources can be volatile in a weak economy and are always vulnerable to State takeaways. (Loss of the VLF backfill, increases in the shift of property tax to schools, and redistribution of the sales tax based on population and affordable housing creation have all been proposed by the Legislature in the past year.) Other large cities, in contrast, have a broader revenue mix that includes locally controlled utility user taxes, admissions taxes, parking fees, and higher hotel/motel taxes. Until Fremont broadens its revenue mix, we will likely face continued serious risks to local services whenever the State gets into trouble with its budget.

The City currently levies a paramedic tax, a hotel/motel tax, a business tax, and a property transfer tax. To help determine which taxes, if any, Fremont voters might support, the City retained the services of the Center for Community Opinion, the professional polling firm that conducted the poll for the successful Fire Safety Bond. (Because of the war in Iraq and the continuing State budget crisis, the pollster advised us to defer the poll until after the summer.) Information from the poll should provide valuable insights into what services are most important to Fremont residents and which funding sources would be more likely to receive voter approval in an upcoming


*Fremont Hub Shopping Center*

election. Potential new or increased taxes include: a public safety/ paramedic tax, an increased hotel/motel tax, a utility user tax, and other parcel taxes.

### Retail

According to a recent study by Thomas Consultants, the City of Fremont loses $1.1 billion of sales taxes annually to other communities because Fremont residents are spending their money outside Fremont. It's imperative that we capture these sales to improve our sales tax base and promote a dynamic local economy. The City is actively and aggressively working to attract and retain retail businesses, develop new retail opportunities, and market the City.

A major amendment to the Pacific Commons Planned District was approved last summer to allow for additional retail and auto dealerships next to the Auto Mall, and another expansion along Interstate 880 and Auto Mall Parkway is underway. In the Capitol Avenue/Downtown area, we are working to identify a means of funding public improvements required to make a downtown successful. Pacific Commons and Capitol Avenue/ Downtown could add close to one million square feet of new retail space.

Staff is working with the owners of the Fremont Hub to redevelop and reposition the shopping center. Plans include attracting at least one new midsized department store tenant, relocating existing midsized tenants, eliminating some of the small, lower-performing retailers, and adding additional restaurant uses along Fremont Boulevard. At the former Home Depot site on Stevenson Boulevard, staff is working with the property owner to redevelop the parcel for retail purposes.

In FY 2002/03, the City developed new marketing materials that promote Capitol Avenue/Downtown and the various business districts. The City also launched a new web-based property locator and demographic database, www.FocusonFremont.com, which provides information on available sites for retail businesses. The site serves as a resource tool for retail brokers and prospective business owners by providing a searchable database of available property, dynamic mapping, and site-specific demographic and business reports. Finally, the City developed a new, quarterly electronic business newsletter that provides useful information on Fremont's retail, Redevelopment Project Areas, and technology and biotech sectors.

With the reductions we are making in FY 2003/04, the fee and tax increases we are pursuing, and the retail efforts in which we are engaging, we will be able to balance the City's budget through FY 2004/05. However, if our revenues continue to slide, or the State steps in to take City revenues to balance its own budget, we will be forced to make additional reductions beyond those planned for the next two years. As always, we will continue to look for innovative ways to preserve the services we provide our residents and businesses.

## Major Projects

***Anti-terrorism efforts:*** Over the last several years, the City has focused on expanding its emergency preparedness capacity. Most of our efforts in the past involved preparing for earthquakes, floods, and other natural disasters. Now, attention has turned to preparing for terrorist attacks, an unfortunate reality of our times. In 1999, the City was selected to participate in the Nunn-Lugar–Domenici Domestic Preparedness Program, which is designed to enhance the ability of local agencies to respond to terrorist attacks involving nuclear, biological, or chemical weapons. The program included specialized anti-terrorism response training for local agencies and a $280,000 grant from the Department of Justice to purchase special detection equipment, mass decontamination equipment, and increased inventories of personal protective equipment for first responders. To fulfill its obligations as a program participant, the City completed three major exercises involving terrorist attack scenarios. The last exercise, held in July 2002, simulated a chemical weapons attack at Ohlone College and involved actual field response by the Fremont Fire and Police Departments and a host of outside agencies, as well as activation of the Emergency Operations Center.

In addition to ensuring that our public safety personnel are adequately trained around issues related to weapons of mass destruction, we are purchasing specialized clothing, detection equipment, medications, and mass decontamination equipment to further enhance our ability to respond to a catastrophic terrorist attack. In 2002, the U.S. Department of Health and Human Services invited the City to submit a proposal detailing how it would work with local hospitals, public health, emergency medical services, fire, law enforcement, and other key resources to develop a comprehensive anti-terrorism response system. This Metropolitan Medical Response System (MMRS) would have the capability to respond and treat up to 1,000 victims of a chemical weapon attack or radiological weapon attack, and 10,000 victims of a biological weapon attack. Based on this proposal, the Fire Department was awarded a contract to develop a local MMRS. The MMRS planning process was started in August 2002.

While the potential threat of terrorism exists throughout the country, experts have not deemed Fremont a primary target for terrorism. Nevertheless, we do have potential targets in our community, and we may be called upon to assist other agencies in the event of a mutual aid request following a terrorist event. The Police Department has conducted its own threat assessments within the community and developed recommendations for internal and external actions related to credible threats. The department is also formulating plans correlated to the Homeland Security Alert system, including obtaining keys and maps to Water District facilities. Due to the training, planning, and preparedness efforts of our public safety personnel, the City is better prepared to respond to a terrorist attack than most communities.

***New Jail and Evidence Building:*** In December 2002, the City opened the new 17,000 square foot, state-of-the-art detention facility. The new jail consolidates all Fremont Police functions on one campus and enables more efficient operations to meet the growing demands of a large city. With modern, automated computer systems, kitchen, and laundry facilities, and cells and dayrooms visible from the control room, the new jail can hold more prisoners without any increase in staff. The old jail, built in 1970, is the last occupant of the old City Government Building. The new 15,000 square foot evidence building is also a very efficient facility, with new automated equipment. The evidence building opened in March 2003.

*Police Department with new Jail and Evidence Building*

***New Maintenance Center:*** The City is constructing a new Maintenance Center on Osgood Road to replace the undersized and inefficient Corporation Yard built in the late 1950s. The new center includes an administration building, a shops building, a fleet maintenance shop, and five smaller structures for storage, vehicle washing, fuel dispensing, and other maintenance needs. Significant progress has been made on the three main buildings, and the contractor has started work on the smaller structures. The whole project is on schedule and should be completed by early February 2004.

***Passage of the Fire Safety Bond:*** In November 2002, Fremont voters passed Measure R, the $51,000,000 Fire Safety Bond, by a vote of 74.4% to 25.6%. Proceeds from the general obligation bond will fund the reconstruction of three small substandard fire stations (Station 2 in Niles, Station 6 in Centerville, and Station 8 in North Fremont), the renovation and rehabilitation of the remaining seven fire stations, and the construction of a new public safety training facility for police and fire use. Construction on the first projects will begin in 2004, with the final projects scheduled for construction in 2008.

*"In November 2002, Fremont voters passed Measure R, the $51,000,000 Fire Safety Bond, by a vote of 74.4% to 25.6%."*

***Dixon Landing Road Interchange:*** This project replaced the old two-lane over-crossing and single lane ramps with a new eight-lane bridge and multi-lane ramps. Although the new bridge is open, not all lanes are operational yet, and the freeway widening and ramp work is still underway. The bridge is also longer now, providing room for future additional through-lanes and new exit and merge lanes onto Interstate 880. A new southbound on-ramp in the southwest quadrant of the interchange will open in early 2004. The new $66,500,000 interchange was made possible by funding and management cooperation between the cities of Fremont and Milpitas, the Santa Clara Valley Transportation Authority, and Caltrans. Fremont's Redevelopment Agency committed $20,700,000 to the project.

***Washington Boulevard/Paseo Padre Parkway Grade Separations:*** The grade separations project involves the removal of six at-grade railroad crossings, providing a corridor for the future BART Extension to Warm Springs, reducing traffic congestion, and improving safety. Approximately 1.6 miles of railroad tracks immediately south of the golf course will be relocated, an overpass will be constructed at Washington Boulevard, and an underpass will be built at Paseo Padre Parkway. The $72,800,000 grade separations project is being funded through a combination of State Transportation Improvement Program funds, Redevelopment Agency funds, traffic impact fees, gas tax dollars, and monies from the Union Pacific Railroad. Construction is scheduled to begin in January 2004 and is slated for completion in July 2006.

***Community Engagement:*** Over the past year, the City has expanded its community engagement programs. FremontOnline, a community-run website for Fremont residents, was launched on July 4, 2002. The site provides information and resources for active Fremont residents. In August, more than 100 neighborhood groups held National Night Out block parties. This was the largest number of block parties of any Bay Area city and an increase over the number of parties held the prior year. In October 2002, 475 grassroots leaders attended the second Community Engagement Summit, a day of networking and skill building.

## Achievements and Awards

The City of Fremont continued to excel in FY 2002/03 in a number of areas. City Manager Jan Perkins received the 2002 Stene Award for Managerial Excellence from the University of Kansas MPA Program. In December, Morgan Quitno Press, a Kansas-based publishing and research company, named Fremont the safest city in the country among cities with a population of more than 200,000. The report is based on crime data cities submitted to the Federal Bureau of Investigation. For the sixth year in a row, the City received the “Distinguished Budget Presentation Award” for our FY 2002/03 Budget from the Government Finance Officers Association (GFOA). For the 18th year in a row, GFOA awarded the City a Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Annual Financial Report for the year ended June 30, 2001.

In July, the City received the “Resources for the Future” award from the California Integrated Waste Management Board for achieving an overall waste diversion rate of 62%. The City’s diversion rate exceeds the 1989 State requirement to divert from landfill at least 50% of the waste generated within the jurisdiction by the year 2000. Fremont was among only four jurisdictions in California with a population over 200,000 to achieve this goal. In October, the City received the “WasteWise Program Champion” award for 2001 from the U.S. Environmental Protection Agency in recognition of the City’s in-house waste reduction and recycling programs. Fremont is one of three local governments in the United States to be honored with this award. For the sixth year in a row, the City received a Tree City USA Award from the California Department of Forestry and Fire Protection and the National Arbor Day Foundation.

*Hang glider above Mission Peak, Fremont*

## Economic Overview

Throughout the second half of the 1990s and into 2001, the City of Fremont enjoyed very strong economic growth and an excellent position in the Bay Area in terms of its location in Silicon Valley, transportation access, and availability of developable land. Housing values were growing rapidly, consistent with the trend in Silicon Valley. The assessed valuation of property in Fremont was nearly equal to that of the largest city in Alameda County, Oakland, which has nearly twice the population. Fremont's business-oriented sales tax base helped it weather previous recessions by offsetting losses in property tax receipts tied to severe business cycles in the real estate industry. Fremont had become a thriving part of Silicon Valley and, as FY 2000/01 ended, Cisco Systems announced plans to build a major campus in the City.

However, in FY 2001/02, the after effects of the severe recession in the high technology sector, which were exacerbated by the terrorist attacks of September 11, 2001, began to take a toll. Hotel/motel and sales tax revenues dropped rapidly. Since 2001, high technology sales tax revenues have decreased more than 50%. Construction-related tax producers have experienced a similar decline. Investment income has dropped, and hotel / motel taxes have not improved.

The reserves developed during high growth years have been valuable in cushioning the transition to a lower revenue base as the City adjusts spending. Stable residential values and the diversity of the City's economy outside the technology sector have helped mitigate the impacts of the problems in the technology sector, but a sustained Silicon Valley, California, or national recession could be problematic. In addition to the uncertainty of economic recovery, the City faces significant financial vulnerability from the effects

*Target opened at the Fremont Hub in October 2002* of the decline in the stock market on the California Public Employees' Retirement System (CalPERS), the City's retirement system, and from potential State revenue takeaways as the State resolves its unprecedented budget deficit.

CalPERS has suffered portfolio losses of 5.97% and 7.23% in the last two years, respectively, and will likely have an unprecedented third year of losses in FY 2002/03. CalPERS losses through March 31, 2003, were 6.86%. Because the City's retirement system contribution rates are based on portfolio performance two years before the beginning of each fiscal year, the impact of portfolio losses will first affect costs beginning in FY 2003/04. In FY 2003/04, CalPERS rates increase an average of 26%, or $1,041,000 over the previous year. In FY 2004/05, we expect an additional increase of 85%, or $4,241,000. The City's actuary projects that the higher rates will affect the City for several years unless CalPERS earns extraordinary portfolio returns in the next two years.

*"Until the threat of State diversion of funds diminishes, the City will avoid implementing any new or expanded services that commit ongoing resources."*

Fueled by falling personal income taxes and sales taxes, the State faces a deficit of $26-35 billion over the next 15 months. The magnitude of the State's problem is so large that it could threaten the City of Fremont's revenues, much as a similar crisis did in the early 1990s.

## Budget Assumptions

An unprecedented level of uncertainty marked FY 2002/03 budget discussions. While the City has weathered economic recessions before, and maintains reserves to soften their effect, the causes of this recession are different from those in the past. The current recession, which stems from the collapse of the high-technology sector, has affected our largest sales tax sectors and threatens our property tax. It is also a key cause of the State's declining revenues, leaving City revenues vulnerable. In addition, the destructive effects of the technology collapse on financial markets are causing the City's retirement system costs to increase dramatically. The length of the recession and the timing of economic recovery will determine the impact of these threats on the City's financial condition. Therefore, uncertainty remains an ever-present influence on budgeting for FY 2003/04.

Despite the uncertainty, we have made several assumptions about the economy in order to make budget decisions. The FY 2003/04 budget was prepared with the following assumptions:

1. **The economic recession will continue, but not worsen, keeping General Fund revenues close to the FY 2002/03 level. Since FY 2002/03 revenues (excluding transfers in) are estimated to be $1,900,000 lower than in FY 2001/02, a year of stable revenues would mark the "bottom" of revenue decline, from which revenues would recover in future years.**

Total General Fund revenues are expected to be nearly the same in FY 2003/04 as they were in FY 2002/03. However, FY 2002/03 revenues contained a $2,900,000 one-time positive adjustment resulting from a successful sales tax allocation appeal to the State Board of Equalization. Excluding this one-time effect, FY 2003/04 revenues are projected to increase by 2.6%. This growth rate is small compared with the 10-year historical average growth rate of 6.2%. The relatively restrained revenue growth is due primarily to the projection for stagnant sales tax receipts, negligible property tax growth, decreasing interest earnings, and only modest growth in other revenues.

2. **The City will not lose its share of the Vehicle License Fee (VLF) backfill, or any equivalent State-controlled revenue, in FY 2003/04.**

   The City acknowledges that a solution to the State's budget crisis will likely involve taking some amount of city revenue. The City's most vulnerable revenue is the Vehicle License Fee backfill, which brings in approximately $9,000,000 annually, or 67.5% of the total Vehicle License Fee revenues. Vehicle License Fees were reduced for vehicle owners by a little more than two-thirds a few years ago, but the State has made up the difference to local governments with payments from its General Fund. The State's elimination of backfill funding, or an equivalent revenue takeaway, would prompt a revision of the City's FY 2003/04 budget.

3. **Revenue estimates in the FY 2003/04 budget and the five-year forecast have been increased 1.0% to compensate for the historical tendency to underestimate revenues. This is part of the 2.6% increase from $94,210,000 projected in FY**

*Baylands Business District*

**2002/03 (excluding one-time effects) to $96,661,000 in FY 2003/04.**

For several years prior to FY 2001/02, the City's actual revenues consistently exceeded projections by an average of 3.5%. In addition, as we forecast revenues in periods of economic slowdown or downturn, we rarely anticipate the return of economic strength. Because unanticipated economic events will affect revenues, it is difficult to predict which revenues will exceed expectations in a given year. This assumption will help ensure we are not overly conservative in our revenue projections, thus potentially causing unnecessary service reductions.

4. **The General Fund Contingency Reserve and the Program Investment Reserve will remain in place and unused in FY 2003/04.**

   During the FY 1996/97 budget process, the City Council adopted policies for two General Fund Reserves: the Program Investment Reserve and the Contingency Reserve. The Contingency Reserve is funded at 12.5% of operating expenditures and transfers out, and the Program Investment Reserve is funded at 2.5% of operating expenditures and transfers out. With the permanent addition of the Budget Uncertainty Reserve, the scope of the Contingency Reserve has been narrowed to natural disasters and severe, unforeseen events. Because the operating budget is decreasing in FY 2003/04, these General Fund reserves will not require a contribution this year.

5. **The Budget Uncertainty Reserve, established in FY 2002/03 as a temporary reserve, will be made permanent in FY 2003/04 as a hedge against the primary sources of uncertainty in the City's budgets and long-range financial plans.**

   The FY 2003/04 budget contains a $7,900,000 reserve to support our expenditure plan and revenue assumptions. In FY 2002/03, this reserve contained $6,200,000. The $1,700,000 increase in the reserve reflects a transfer of funds from the Contingency Reserve and the Program Investment Reserve, which are currently funded at a level higher than 12.5% and 2.5%, respectively. If the City does not meet the revenue projections, due to a protracted recession or as a result of increasing them by 1.0% (see budget assumption above), this reserve is available to make up the shortfall without necessitating an immediate budget reduction. Additionally, this reserve helps to offset the risks to the City posed by the State budget crisis and other, unavoidable cost increases. The policy for this reserve is included in the Policies section of this document and will be considered by the City Council as part of the budget adoption process.

6. **The City will not receive any relief from the Educational Revenue Augmentation Fund (ERAF), the funds that the State started taking from local governments in the early 1990s.**

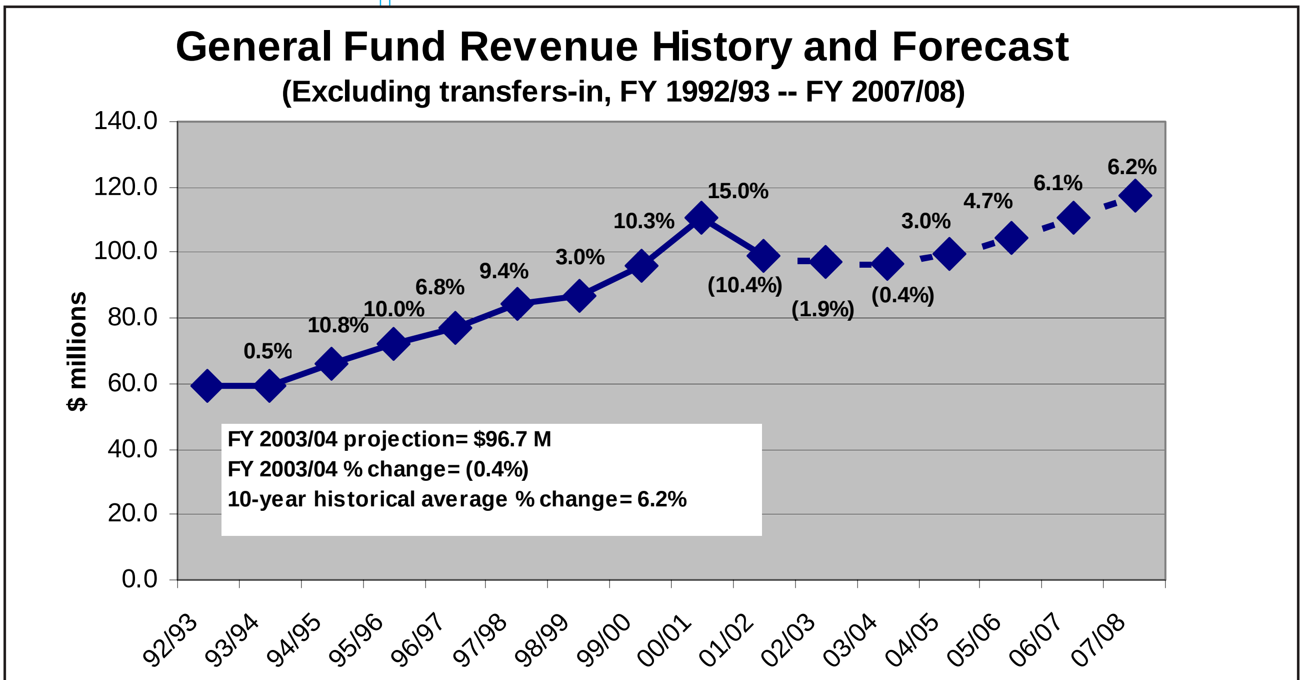
   The State has given cities grants for public safety and small contributions from its General Fund. However, these amounts are small compared with the more than $9,000,000 that the State now takes annually from Fremont's property taxes. Ten years after the State shifted property taxes and several local taxes and fees (including business inventory, liquor license, bank-in-lieu, and cigarette taxes) away from cities, Fremont's cumulative lost revenue from these sources, coupled with additional costs shifted from the State to cities, exceeds $100,000,000. Given the status of the current State budget, the City is not expecting any new relief.

## Fiscal Year 2003/04 General Fund Resources

General Fund resources include ongoing revenues, transfers into the General Fund from other funds, and fund balance. Resources for FY 2003/04 are projected to be $103,400,000. This total includes $96,700,000 of revenues and $6,700,000 of transfers in. These resources will be supplemented by $3,400,000 of unallocated fund balance to support expenditures and transfers out to other funds, which are budgeted at $106,800,000.

Revenues are the largest component of total resources. They are also the most important, because their sustainability drives all other resource

*San Francisco Bay National Wildlife Refuge located in Fremont* consideration, and the most volatile. As the following graph illustrates, the City enjoyed healthy growth throughout the 1990s. Revenue grew from $59,100,000 in FY 1992/93 to a peak of $110,500,000 in FY 2000/01. Since the economy soured in 2001, revenues declined 10.4% in FY 2001/02 and face a further decline of 1.9% for FY 2002/03, for a new revenue base of $97,100,000. We are projecting that revenues have reached the low point for the downturn and will decrease only slightly, 0.4%, in FY 2003/04 before resuming moderate growth in FY 2004/05.




Given revenue declines in recent years and the degree of uncertainty we continue to face, sustainability of key revenues – property tax, sales and use tax, Vehicle License Fees (VLF), business tax, and franchise tax – is a critical question for budgeting in FY 2003/04.

**General Fund Resources (excluding transfers in and fund balance)**
**Changes from peak revenue year FY 2000/01 (in $ millions)**

| Revenue Source | FY 2000/01 revenue (peak year) | FY 2002/03 estimated revenue | FY 2003/04 projection | **Difference from FY 2000/01 revenue** |
|---|---|---|---|---|
| Property Tax | 29.9 | 32.5 | 33.2 | **3.3** |
| Sales and Use Tax | 34.0 | 28.2 | 25.6 | **-8.4** |
| Vehicle License Fees (VLF) | 10.9 | 11.5 | 12.4 | **1.5** |
| Hotel/Motel Tax | 4.3 | 1.9 | 2.0 | **-2.3** |
| Business Tax | 6.3 | 6.0 | 6.2 | **-0.1** |
| Franchise Fees | 6.5 | 6.9 | 7.2 | **0.7** |
| Interest Income | 3.6 | 1.3 | 1.0 | **-2.6** |
| Other Revenues | 15.0 | 8.8 | 9.1 | **-5.9** |
| Total | 110.5 | 97.1 | 96.7 | **-13.8** |

Despite the decline in total resources since the peak revenue year of FY 2000/01, property tax revenues continue to grow. However, the rate of growth in recent years is lower than the 10-year average of 6.6%. Growth for FY 2002/03 is estimated to be 3.1% over the prior year, and the projection for FY 2003/04 is only 1.0% growth over the FY 2002/03 level. Fortunately, low mortgage interest rates and high demand have maintained residential property values, but we are concerned that high vacancy levels among commercial and industrial properties will lead to reassessments in response to assessed valuation appeals by property owners.

As the table shows, falling sales and use tax revenues are driving the overall drop in revenues. Fremont's business and industry sales tax segment, which contains high-tech equipment and office equipment makers, tripled in revenue through the 1990s, growing from approximately $4,000,000 to $12,000,000 annually. Since FY 2000/01, the collapse of the technology industry has resulted in a loss of approximately one-third of this annual revenue, returning it to FY 1995/96 levels.

The level of ongoing sales and use tax revenue is projected to be the same in FY 2003/04 as it was in FY 2002/03. Total FY 2002/03 sales and use tax revenue includes a one-time adjustment of $2,900,000 resulting from a successful sales tax appeal to the State Board of Equalization. While the FY 2003/04 projection suggests that we have reached the low-point of the recession, it is mixed news. The 10-year average growth rate for sales and use tax is 6.6%, and double-digit growth rates were common during the mid- and late-1990s.

*Animal Shelter*

Hotel/motel tax and business tax revenues have also been affected by the Silicon Valley recession. Hotel/motel taxes, while not our largest revenue source, have declined by the largest percentage—a staggering 56% since FY 2000/01. This decline is the most striking and, perhaps, most symbolic example of revenue volatility stemming from the downturn in the economy. Between FY 1998/99 and FY 1999/00, hotel/motel tax revenue nearly doubled, growing to $4,300,000 in FY 2000/01. The recession in the travel industry and declining business activity, which were made worse by the terrorist attacks of September 11, 2001, reduced hotel/motel tax collections to a projected $1,900,000 for FY 2002/03. Business tax, which is paid on companies' level of economic activity, has decreased as well. The drop is primarily due to a decline in construction tax on property improvements. Business taxes remain at a level below the FY2000/01 level. The sluggishness is primarily due to a decline in construction tax on property improvements. Business license tax revenues, which are paid on companies' level of economic activity, have remained stable. However, because information lags by several months, we are concerned about the sustainability of this source. Business taxes are projected to yield $6,000,000 in FY 2002/03, and $6,200,000 in FY 2003/04. These represent declines of 5% and 1% from the peak, respectively.

Franchise fees continue to perform above the FY2000/01 level. In FY 2003/04, this revenue source is projected to increase approximately $300,000 from the level projected for FY 2002/03. Steady increases in the utility bills on which the fees are calculated have offset some of the decrease in demand from the general economic slowdown, as well as the recent Federal Communications Commission decision that led to exclusion of cable modem charges from franchise fee calculations. In addition, an increase in the Integrated Waste Management (IWM) fee effective January 1, 2004, will increase the total collection rate.

Interest income continues to drop dramatically from its peak of $3,600,000 in FY 2000/01. Declining interest rates, coupled with the decline in the General Fund fund balance, have driven the level of investment earnings down consistently over the past two years.

The table above shows that the FY 2003/04 projection for all other revenues is expected to be $5,900,000 less than the FY 2000/01 levels. Part of this difference is attributable to the proceeds from the sale of City land that yielded $4,000,000. When corrected for this one-time effect, the total revenue from other sources is expected to decrease by $1,900,000 from FY 2000/01 levels.

## FY 2003/04 General Fund Expenditures

The proposed FY 2003/04 expenditure budget is the latest in a series of steps to reduce expenditures to a level that can be supported by ongoing revenues. The City has continually responded to economic news, trying to balance necessary expenditure cuts with cautious optimism that the underlying community and economy are strong and will improve eventually. This caution has prompted an incremental approach that delays deep cuts that affect basic services and employees' job stability until we are sure they are needed. Yet we are committed to proactive planning that will enable us to adapt readily to emerging economic circumstances.

Early in FY 2001/02, when we realized that the City would face a revenue shortfall, we immediately curbed spending. As a proactive measure to address revenue uncertainty, the FY 2002/03 budget contained department budget reductions equal to 2%, on average. In September 2002, we reported that FY 2001/02 revenues had come in $5,900,000 less than projected in May 2002. This reduction in the base for FY 2002/03, combined with the reduced projection for annual growth, caused us to adjust FY 2002/03 revenue projections downward by $14,600,000. In response to this revenue information, we reduced FY 2002/03 department budgets by about 10% to ensure that we would not end either FY 2002/03 or FY 2003/04 with a deficit. While an adequate short-term response, the plan consumed almost all available fund balance and relied upon many one-time savings solutions. As a result, the five-year forecast presented in November 2002 showed a $22,000,000 deficit in FY 2004/05, with similar-sized deficits in later years of the forecast. This set the stage for a process to align expenditures with revenues on an ongoing basis to ensure the long-term financial health of the City.

**FY 2003/04 expenditures, including transfers out to other funds, are budgeted at $106,800,000, which is $14,400,000 (or 11.9%) less than the FY 2002/03 adopted budget.** The citywide reduction includes department reductions ranging from **2.2%** to **23.3%**, reductions in capital improvement projects, and reduced financial support for Fremont libraries and community events.

*Thai Buddhist Temple in Fremont's Niles District*

The table below shows that funding for all departments providing community services is being reduced by 6.1% for FY 2003/04. General Fund funding for public safety is being reduced by 2.2 - 2.3%, while funding for general government is being reduced by 12%. Transfers to cost centers for support and services are being reduced by 12-23%. Other General Fund transfers are only being reduced by 2% because they include an allowance for debt service payments that the City is obligated to make.

## Department Budget Change Highlights

**FY 2003/04 Adopted Budget Compared With the FY 2002/03 Adjusted Budget**

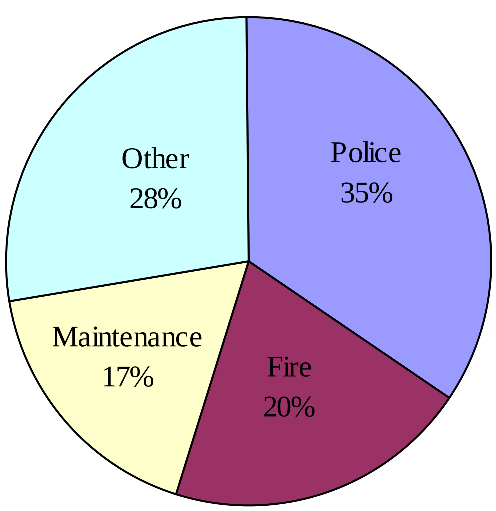
**($ millions)**

| | Adjusted Budget FY 2002/03* | Adopted Budget FY 2003/04 | Percentage Reduction |
|---|---|---|---|
| Police | $39.1 | $38.2 | -2.3% |
| Fire | 23.2 | 22.7 | -2.2% |
| Transfer to Maintenance | 19.7 | 17.3 | -12.2% |
| Transfer to DES Cost Center | 2.5 | 2.2 | -12.0% |
| Transfer to Recreation Cost Center | 3.0 | 2.3 | -23.3% |
| Human Services | 2.9 | 2.4 | -17.2% |
| General Government | 11.7 | 10.3 | -12.0% |
| Other General Fund Expenditures and Transfers | 11.6 | 11.4 | -1.7% |
| **Total Use of Resources** | **$113.7** | **$106.8** | **-6.1%** |

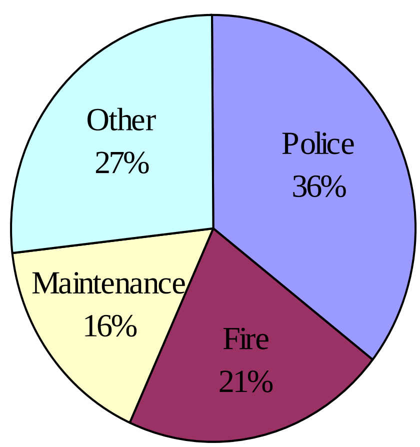
* The adjusted budget reflects budget reductions from the FY 2002/03 adopted budget that were implemented following the First Quarter Budget Update in November 2002. Additional information on budget adjustments can be found in the "Major General Fund Changes" section of this document.

The following charts show that the allocation of resources within the smaller FY 2003/04 budget maintains the same relative priorities of police, fire, and maintenance.

**FY 2002/03 Adjusted Budget**
**$113,700,000**




**FY 03/04 Adopted Budget**
**$106,800,000**



## Operating Transfers Out and Transfers to Reserves

Transfers to support City activities outside the General Fund total $29,600,000 for FY 2003/04, which represents a 20.6% decrease from the FY 2002/03 adopted budget (and a 10.6% decrease from the FY 2002/03 adjusted budget). The decrease is mostly a result of reductions in support for maintenance services and the Development Services, Recreation, and Senior Center cost centers. Additional reductions are required for the other major categories of transfers out: contributions to the Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP), debt service payments, and General Fund reserves.

1. **Contributions to the Capital Improvement Program/ Integrated Capital Assets Plan (CIP/ICAP):**

   The FY 2003/04 budget transfers $18,300,000 to the CIP/ICAP from the General Fund to support maintenance services and capital projects. The transfer for maintenance services will be $17,300,000, an 18% decrease from the $21,100,000 budgeted in FY 2002/03. In addition to reductions in capital maintenance, the $2,000,000 annual General Fund contribution for capital projects will be eliminated. However, the General Fund will transfer $1,000,000 to the CIP for continued planning and design for Fremont's future downtown.

2. **Debt Service:**

   When the City borrows money to pay for capital facilities or other capital items such as fire apparatus, it makes debt service payments to retire the debt. For FY 2003/04, the budget for debt service payments is increasing from $5,600,000 to $6,500,000. The increase is largely due to debt service payments beginning on the City Hall complex and the new Maintenance Center.

3. **Cost Center Support:**

   The General Fund supports the efforts of the City's three cost centers: Development Services, Recreation Services, and the Senior Center.

   - <u>Development Services</u>: The General Fund allocation covers the cost of services provided to the general community by staff in the Development and Environmental Services Department. Services to other customers, such as developers and individual property owners doing work on their properties, are paid for by fees charged to these customers, rather than by general taxes. For FY 2003/04, the General Fund allocation to the cost center is $2,200,000, which is 12% lower than the FY 2002/03 adjusted budget level.

- Recreation Services: The General Fund allocation supports activities not otherwise covered by program fees. For FY 2003/04, the contribution is $2,300,000, which is 23.3% lower than the FY 2002/03 adjusted budget level.
- Senior Center: The General Fund supports operational costs for the Senior Center. For FY 2003/04, the contribution is $245,000, which is 17% lower than the FY 2002/03 adjusted budget level.

**4. General Fund Reserves:**

The budget maintains the General Fund Contingency and Program Investment Reserves at 12.5% and 2.5% of total General Fund expenditures and transfers out, respectively. Reserve levels are established by City Council policies, which are included in the Policies section of this document. The FY 2003/04 budget also makes the Budget Uncertainty Reserve permanent, and increases funding, as resources become available, to a level that would offset the uncertainty we face related to the State budget crisis, revenue volatility, and unavoidable costs.

## Five-year Forecast

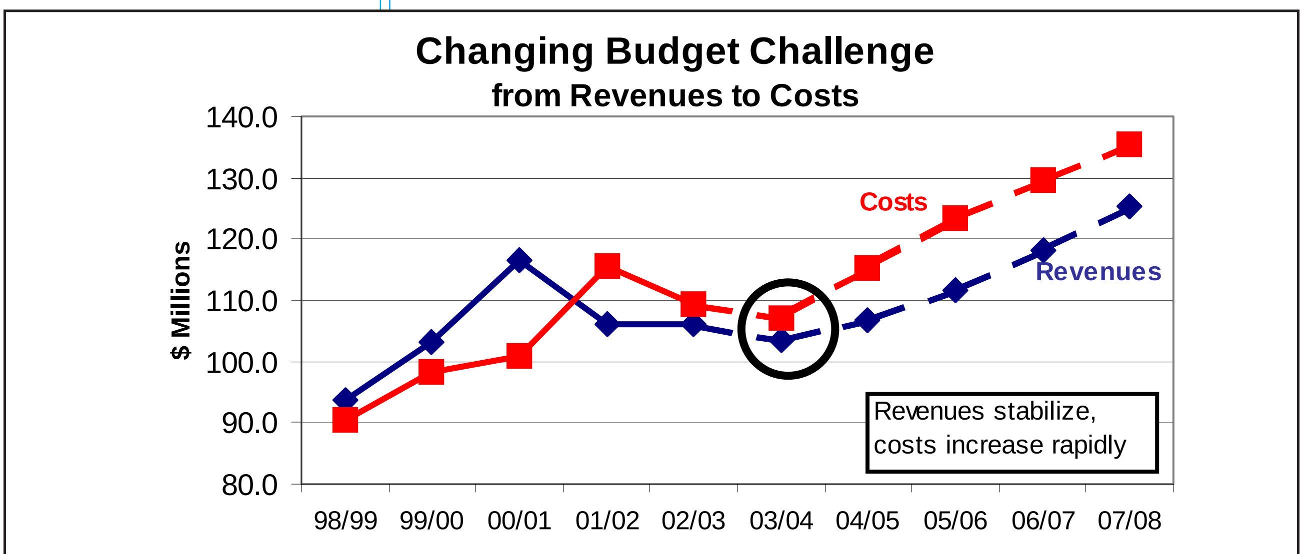
The five-year forecast is the financial planning tool that helps us understand important trends and long-term consequences of budget decisions. The five-year forecast presented with the FY 2003/04 budget illustrates the very difficult challenge the City will continue to face in the future: **unless we obtain new voter-approved revenues or experience a tremendous economic recovery very soon, we will be forced to reduce community**


*Successful restaurant at the Fremont Hub*

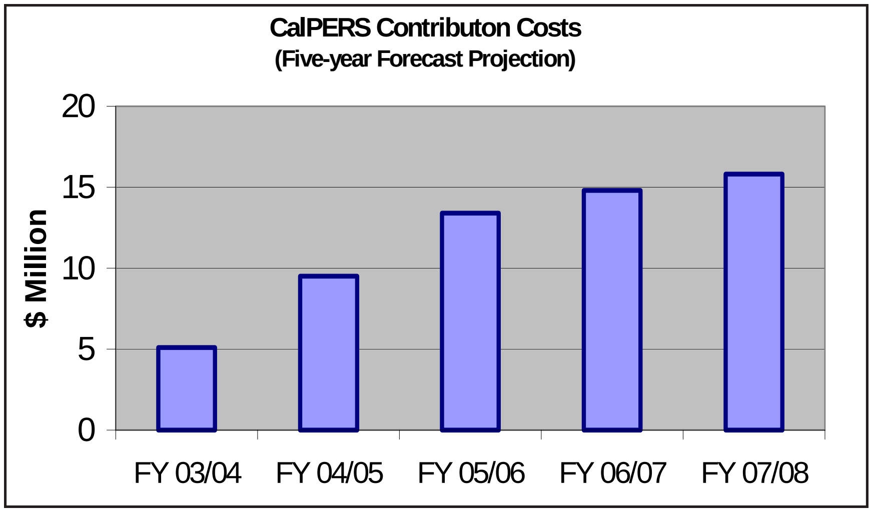
**services even further to ensure that the City can live within its means.** Although the budget is balanced for FY 2003/04, this is the first time that the City's forecast used in the budget recommendation shows a deficit within the five-year horizon.

In general, the revenue forecast assumes that the economy will remain flat in FY 2003/04, and then gradually improve until FY 2006/07, when revenues will return to a level close to the historical average growth rates. On the expenditure side, through the budget reduction measures adopted with the FY 2003/04 budget, the City will have enough resources to cover budgeted operations through FY 2003/04. In FY 2004/05 and beyond, the City will once again face deficits and will need to decrease spending and increase revenues in order to balance the budget.

**As the graph below indicates, in later years of the forecast, the primary cause of the budget imbalance shifts from one of declining revenues to one of increasing expenditures.** Since FY 2001/02, when the revenue slide began, the City has been able to cope with dramatically reduced revenues by cutting spending. Beginning in FY 2004/05, however, cost increases over which the City has little or no control will again cause the budget to become unbalanced. These costs include contributions to CalPERS for employee retirement benefits, debt service on projects already complete or underway, and other negotiated personnel-related costs.




**Contributions to CalPERS are the major source of cost increases in the five-year forecast.** The rates the City pays are driven heavily by market performance of the CalPERS investment portfolio. During the boom of the 1990s, CalPERS' investment portfolio was earning double-digit returns—well in excess of the 8.25% annual return on investment CalPERS assumes in its actuarial rate-setting model. This resulted in our contribution rates to CalPERS being unusually low. However, similar to the investments of pension plans throughout the country, CalPERS' investments have been hard hit by the difficult economy over the past two years, and they have experienced losses. As a result, because of the way in which CalPERS meters investment performance into our rates, we expect to see unusually high contribution rates for the foreseeable future. These fluctuations in contribution rates are more extreme than anyone could have predicted, given the lack of precedence for consecutive years of recorded losses in the CalPERS investment portfolio. As the following graph shows, based on current market performance and projections, the City's contribution for CalPERS costs will more than double over the next two years and nearly triple over the forecast period.




In addition to CalPERS costs, another expenditure increase will come from required debt service payments for recently constructed City facilities. Expenditures increase $900,000 in FY 2003/04, compared to the FY 2002/03 adjusted budget, to begin paying debt service on the City's new Maintenance Center, Jail, and City Hall complex.

The five-year forecast is updated continuously, and it is the subject of discussion with the City Council at least three times annually. It is intended to alert the City to important trends, not necessarily suggest a definite plan for the future. In fact, this forecast lays out the budget challenge for the future. We will make decisions over the next year to balance the budget in the later years of the forecast and will rely on the benefit of the most current economic information available at that time. We would never adopt an annual budget that reflects resources inadequate to support expenditures for that year. More information about the forecast may be found in the Five-Year Forecast section of this document.

## General Fund Fund Balance and Reserve Policies

Annual operating budgets typically contain sufficient funds for planned operations in each department. Occasionally, the City faces unanticipated costs that require additional resources. A department's first resource for unanticipated costs is through re-prioritization of existing resources within the current year's budget. A second potential resource is the non-departmental Annual Operating Contingency, budgeted at $1,250,000 for FY 2003/04, which is administered by the City Manager.

Since the last recession in the early 1990s, the City has developed reserves and other means to protect against external threats such as severe economic cycles and natural catastrophes. The purpose for each is outlined below, with a focus on the Budget Uncertainty Reserve, for which important changes are recommended.

***Unallocated fund balance*:** While we adopt an annual budget each year, we use a five-year forecasting model to anticipate revenue trends and understand the consequences of current spending decisions on the future. As each fiscal year ends, expenditure savings and revenue that exceeds projections are added to the General Fund fund balance and are available for use in future years. Historically, unallocated fund balance has been a very important resource for balancing the five-year plan (as described in the Five-Year Forecast section of this document). The availability of unallocated fund balance helped the City avoid immediate deep spending cuts, potentially including layoffs, during FY 2001/02. That year, we spent $10,000,000 of fund balance to offset the revenue shortfall. In FY 2002/03, even after $15,300,000 in spending cuts, we expect to use $3,700,000 of fund balance. Without disciplined savings of prior years' fund balance, this resource would not have been available to cushion our transition to a lower revenue base.

***Budget Uncertainty Reserve*:** Established in FY 2002/03, the Budget Uncertainty Reserve was intended to be a temporary reserve to fund

*Quarry Lakes Park*



*Cultural celebrations in Fremont*

shortfalls that would occur if actual revenues failed to meet projected revenues and/or departments were unable to maintain service levels within their established budget reduction levels. The initial funding of this reserve was $6,200,000, and it has not been programmed for use at this point. This budget increases the level of this reserve to $7,900,000 in FY 2003/04. This increased level would not result in a net increase to reserves, as the proposed funding source would be a transfer from the other General Fund reserves described below.

Given the magnitude of the revenue decline we are experiencing and the uncertainty we continue to face, staff believes that the Budget Uncertainty Reserve should be made permanent and should be funded to a level adequate to offset the uncertainty we face.

Once adequately funded, the Budget Uncertainty Reserve will provide transition funding to allow orderly responses to reductions in major revenues due to local, regional, and national economic downturns. The reserve will be structured to provide support, at gradually decreasing levels, over three years, as restructuring major services in an orderly way requires such a transition period. The effect of this reserve could be to delay service reductions and layoffs until economic trends are firmly identified and other critical questions (e.g., the impact of resolution to the State budget crisis) are resolved.

The recommended level of funding for the Budget Uncertainty Reserve will be calculated using an analysis of the financial exposure associated with key revenues linked to the economy, intergovernmental revenues subject to State takeaway, and unanticipated costs.

- Key revenues linked to the economy: The reserve will contain a component to protect against the effects of economic uncertainty on the City’s two largest revenues: property tax and sales tax.

- Intergovernmental revenues subject to State takeaways: Until guarantees for local revenue are enacted, the reserve will contain an allowance to offset potential losses of revenues controlled by the State Legislature. These revenues include property tax, sales tax, Vehicle License Fees, gas tax, and ongoing operating reimbursements and grants.

- Unanticipated costs: The reserve will also allow for unanticipated costs the City faces. The most serious risk is prompted by the volatility in the financial markets that drive the City's CalPERS retirement system costs. If the CalPERS investment portfolio's pattern of losses is not interrupted in FY 2003/04, the rates could increase above that which is currently projected in the five-year budget model.

The detailed recommendation establishing the target level for this reserve, describing the assumptions and methodology for the calculation of this target, and outlining how this reserve should be managed, will be incorporated into the first quarter review of the FY 2003/04 budget.

***General Fund Contingency Reserve:*** The Contingency Reserve was established in 1996 to help mitigate the effects of unanticipated fiscal crises. It is funded at a level at least equal to 12.5% of annual operating expenditures and transfers out ($13,300,000 in FY 2003/04). When this reserve was adopted, the City was in a growth period, and 12.5% of total revenues and expenditures out seemed like a sufficient level of reserve funding to mitigate the financial effects of natural disasters, such as major earthquakes, and cushion operations through economic downturns. The unprecedented revenue decline in recent years has shown that 12.5% is not an adequate level for a reserve of last resort. This budget narrows the purpose of the Contingency Reserve so that it can be used only in case of severe unexpected events, such as natural or manmade disasters that cannot be reliably predicted or adequately mitigated by risk management or other financial reserving strategies. The Budget Uncertainty Reserve, in turn,

*Irvington Plaza Park*

will become the primary tool for managing the City's exposure to harsh economic cycles and related risks.

***Program Investment Reserve:*** The Program Investment Reserve provides a source of working capital for new initiatives that have the potential for receiving significant funding that will repay the costs of the capital investment within three years from commencement of operations from outside sources, or organization retooling, process improvement and strategic entrepreneurial opportunities. This reserve is funded at a level at least equal to 2.5% ($2,700,000 in FY 2003/04) of annual operating expenditures and transfers out. No change is proposed in purpose or funding level for FY 2003/04.

## Development Cost Center

The Development Cost Center has suffered financially from the economic recession, particularly in the areas of building inspection and plans and permits—two operations whose funding comes almost exclusively from development fees. The Planning and Engineering Divisions have felt less impact since only 39% and 23% of their revenues, respectively, come from development fees. Construction activity and associated revenues, which comprise approximately half of the cost center's total revenues of $11,600,000, have seen a steady decline since early FY 2000/01. Based on actual revenue generation, the cost center adjusted FY 2002/03 adopted budget revenue estimates downward by almost $1,000,000. Development-related revenue is expected to continue to decrease in FY 2003/04. Implementation of the recently approved Community Planning Fee will help offset some of this decrease. In addition to the construction-related revenue turbulence, the cost center is adapting to a 12% reduction in General Fund support, resulting in reduced resources for traffic service operations and long-range planning activities. However, the Development Cost Center, and especially the Engineering Division, still has a significant work plan resulting from the five-year Capital Improvement Program.

Charges to capital projects account for more than half of the revenues earned by Engineering. The Development Cost Center also relies on fees for services charged to the development community. Billing rates are calculated using the hourly labor rate of the employee providing the service and a "multiplier" factor to cover indirect costs including administrative support, supervisory direction, and facilities and equipment. For FY 2003/04, the multiplier used to calculate billing rates for planning services is increasing from 2.7 to 2.8 in order to fully cover costs. The multiplier used to calculate billing rates for engineering services will remain 2.7.

During the mid 1990s, development activity in Fremont was thriving. As a hedge against the cyclical nature of the economy, the cost center accumulated a fund balance intended to pay for technology and capital needs, and to preserve staffing continuity through downturns. Maintaining a base level of staff enables the City to respond effectively when development activity returns. At the end of FY 2002/03, the fund balance is projected to be

$3,000,000, which would bring the total amount of fund balance consumed for operational losses since the peak year of FY 1999/00 to $1,700,000. Additionally, the cost center has invested approximately $2,700,000 of its fund balance in much-needed technological upgrades, including a new permitting system and partial funding for the geographic information and document management systems. Total expenditures for the cost center in FY 2003/04 are projected to be $14,400,000, which is 7% lower than the FY 2002/03 level. Even with reduced expenditures, the cost center is projected to consume an additional $600,000 of fund balance in FY 2003/04.

## Recreation Cost Center

The Recreation Cost Center provides services to the public by utilizing both General Fund contributions and user fees. Using an enterprise business model in which programs are funded only if they are able to pay for themselves through fees, Recreation Services successfully delivers hundreds of programs and activities each year for citizens of all ages. In FY 2003/04, the cost center will earn 63% of its $6,300,000 from program and user fees. The cost center's other major revenue source, General Fund support, will comprise 37% of revenues. This General Fund support has enabled the Division to provide low to no-cost services such as Central Park operations, teen services, and community centers. The General Fund contribution will decrease from $3,000,000 to $2,300,000 in FY 2003/04.

Through aggressive management and monitoring of program operations, the Recreation Cost Center has accumulated a $6,000,000 fund balance. Program growth, interest on the fund balance, and salary savings have been the primary contributors to the growth in the fund balance. Most of the fund balance is earmarked for the Operating Improvement Reserve,

*Centerville Train Station*

which serves as a funding source to launch new revenue-generating projects, such as the family swim facility that will replace the swim lagoon in Central Park. The remaining fund balance serves as an economic contingency reserve to buffer operations from a fluctuating economy, program revenue shortfalls, and unforeseen major interruption of services.

## Contingency Planning

The five-year forecast reflects a balanced budget for FY 2003/04 but alerts us to significant potential operating deficits in future years. The City has a tradition of proactive budget management characterized by rigorous revenue forecasting, routine scrutiny of expenditures, continuous communication with the City Council, and timeliness of budget reduction decisions to provide the greatest benefit for the future. However, we must balance proactive cost control measures against the benefits associated with incorporating new and possibly improving financial information into our forecasting model. We do not want to cut too deeply, given the uncertainty we face and the historic difficulty of projecting the precise timing of economic recovery.

Our forecast suggests that, barring new voter-approved revenues or immediate economic recovery, we will have to reduce ongoing expenditures before the beginning of FY 2004/05 by approximately $10,000,000. In re-sizing the organization for FY 2003/04, the Executive Management Team preliminarily outlined the kinds of service cuts required to achieve this level of reduction. In the coming months we will be developing this plan within the context of emerging economic information and community decisions about new taxes and fees.

*"As we restructure to deliver services that are within our financial capacity, it will be even more important than ever that members of the community become more active partners with the City in protecting property values and the quality of life people have come to enjoy in Fremont."*

## Conclusion

Our long tradition of excellence will serve us well as we transition to a smaller organization with fewer programs and services. That tradition will also be a challenging backdrop for us as we redefine the City of Fremont's role in the community, and our response when members of the community ask us to do something. We are very accustomed to finding ways to get results, meet customer needs, solve problems, and generally be of service. With a much smaller organization, we will need to focus on the City's core services, and we will find ourselves unable to accommodate all of the requests and interests of the community. We will even have to redefine what we view as "core" over the next several months, because members of the community consider so much of what we do important and necessary. The financial capacity to do all of those things simply is not and will not be there given our current revenue base.

As we restructure to deliver services that are within our financial capacity, it will be even more important than ever that members of the community become more active partners with the City in protecting property values and the quality of life people have come to enjoy in Fremont. The reasons people live and work in Fremont are often ones that are easily taken for granted: our low crime rate and a feeling of safety, well-maintained parks, good streets, paramedic services that respond when needed, recreation activities for children, good schools, and people who care. With the dramatic reductions in our available revenue—the money we must have to provide services—many of the most basic things residents and businesses expect will be reduced, simply because of lack of funds.

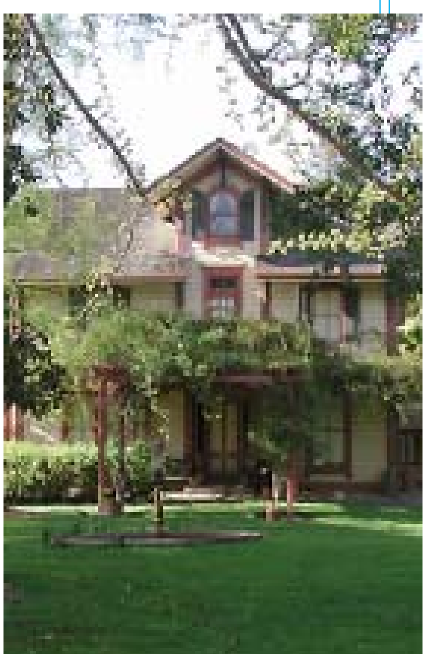
Now more than ever, we must work together to increase our revenue — through new retail, fees, and tax measures—so that we can fulfill the City Council's vision for Fremont:

> Fremont, in the year 2020, will be a globally connected economic center with community pride, strong neighborhoods, engaged citizens from all cultures, and a superb quality of life.

Jan Perkins

Jan Perkins
City Manager

Lake Elizabeth pathway at Central Park



Shinn Historical Park

Children being entertained at one of Fremont's parks

## Strategic Plan: Update on Progress Toward the Vision

*Fremont, in the year 2020, will be a globally connected economic center with community pride, strong neighborhoods, engaged citizens from all cultures, and a superb quality of life.*

In 2002, the City Council adopted a Strategic Plan that outlines a vision for the long-term future of Fremont and proposes strategies and short-term goals for achieving the vision. The Plan has three main purposes. First, it communicates the City's vision for the future to residents, businesses, and City employees. Second, it provides guidance so that decisions are good for today's challenges and good for the City in the future. Making decisions in the context of a shared vision developed through collaboration ensures broad commitment to the success of the plan. Finally, the Strategic Plan provides a sound framework for long-term departmental planning.

The Plan was designed to guide decisions in times of growth and times of fiscal constraint. When the City has resources to invest in new initiatives, the Plan sets forth priorities for investment. During fiscally challenging times, when the City must question service assumptions, the Plan also provides guidance. For FY 2002/03, City service objectives focused on advancing the five-year goals that support the Plan's long-term outcomes. In a period of dramatic revenue decline such as the last 18 months, the City is challenged to balance the provision of core services that are fundamental to Fremont's quality of life with those work programs that will ensure that the quality of life continues. Both are integral to Fremont's future as a vibrant economic center and a good place to live. The FY 2003/04 City service objectives, presented in the department sections of the budget document, reflect this balance and continuing commitment to the City's strategic vision.

The following section provides a brief update on the strategic long-term outcomes.

### 1. Dynamic local economy

The City works to promote a dynamic local economy through aggressive business retention and attraction strategies including the development of major new retail opportunities, historic commercial district redevelopment, and a comprehensive marketing and communications strategy.

The City is launching two major retail development efforts in order to expand and diversify the City's retail sales tax base. The first is a new retail center at Pacific Commons and the other is in the City's Downtown along Capitol Avenue. Together, these sites have the potential to add almost 1 million square feet of new retail space.

In FY 2002/03, the City also continued its Redevelopment efforts to develop key sites in the Centerville and Irvington Redevelopment Project Areas. The City Council has provided new direction for Centerville, and efforts in Irvington will be focused on infrastructure improvements along Bay Street, and implementation of the Irvington Concept Plan.

In FY 2002/03, the City also began implementation of a comprehensive marketing and communications strategy. This included new marketing material that promotes Fremont as a superior place to live, work, and do business. The City also redesigned its website (www.fremont.gov) to create easy ways for businesses and residents to obtain information and assistance. The Office of Economic Development also launched a new, web-based property and demographic database. This new website, www.FocusonFremont.com, uses internet-based geographic information systems technology for business attraction and site selection, and serves as a resource tool for retail brokers and business owners.

Finally, the City completed a successful trade mission to Taiwan and China in 2002 and received four in-bound trade delegations. The City continues to forge international partnerships and work with our globally connected business community in order to sustain and increase new business interest in Fremont.

### 2. An engaged and connected multicultural community

To ensure a strong social fabric and a healthy democracy that includes all groups, the City works to cultivate an environment where diverse groups in Fremont can thrive. In FY 2002/03, the City worked closely with parents and community members in the Cabrillo neighborhood to foster civic participation on the local level. City staff worked with neighborhood leaders, the Fremont Unified School District, and non-profit agencies to obtain outside funding commitments of over $500,000 to support community-building and civic engagement efforts in the neighborhood. The City also worked closely with the parents in the Cabrillo neighborhood to develop two programs in partnership with the Parent Teacher Association program reaching approximately 50 parents.

To create stronger communication within neighborhoods and promote safety, the Community Emergency Response Team (CERT) program added 300 new members in FY 2002/03 for a total of 1700 members throughout the community. Seven neighborhood teams are currently active, and additional teams will become operational soon. The City and the Fremont Unified School District are collaborating on an initiative to increase opportunities for service learning in local government and the community. City staff and non-profit volunteer coordinators have recently received training that provides a basic understanding of service learning and methods for integrating service-learning criteria into new and existing volunteer positions.

## 3. Thriving neighborhoods

The City is committed to increasing neighborhood capacity for identifying and solving problems. The City facilitates partnerships among neighborhood groups and public safety and human services staff to advance this goal. In FY 2002/03, City staff expanded the Neighborhood Networks program, which provides a forum for community building at the block level and brings together residents within their respective neighborhoods. The Neighborhood Crime Watch program has been further developed as well. Also, the City developed the Neighbor-to-Neighbor Newsletter for distribution to community leaders. In FY 2002/03, the City worked with the Fremont Unified School District to expand the pedestrian safety program from six schools to 16. Additionally in FY 2002/03, the City's Learn Not to Burn program expanded from four to seven Fremont schools.

To strengthen social relations among residents, the City organized the annual National Night Out and Summit events. These events provided opportunities for networking, information sharing, and resource development for residents. In order to increase access to services at the Family Resource Center for families of diverse economic backgrounds, the City continues to conduct extensive marketing in elementary schools and engage parents in targeted neighborhoods in community problem solving related to the needs of families and children.

## 4. Living and working in Fremont

In order for people to both live and work in Fremont, it is critical that Fremont have a variety of housing types, pricing, and availability. The City is implementing new Housing Element programs to encourage the development of housing to meet the need in the community. These programs focus on identifying and rezoning land in Fremont for additional higher-density development which will accommodate housing affordable to moderate, low, and very low-income households.

The City also continues its efforts to preserve at-risk affordable housing and rental housing, expand its first-time homebuyer program, and encourage the development of new affordable housing in Fremont. In December 2002, the Council adopted the Inclusionary Housing Ordinance, which requires at least 15% of new residential units developed to be affordable. During FY 2002/03, Adams Avenue Homes opened, and construction began on Fremont Oak Gardens (a 51-unit senior development with design features accommodating deaf residents) and Fremont Vista (an assisted-living development with 20 affordable units).

The City began the initial phase of a program to preserve the multi-family housing stock in the City using tenant outreach, referrals, and apartment manager training. The City has conducted proactive inspections and followed up on complaints and referrals. Staff has inspected the exteriors of 114 apartment complexes and more than 100 individual units since June 2002 in order to establish areas of concerns that may receive heightened attention in the future.

In order to link Fremont residents with jobs in Fremont, the City will launch a new website, *jobsinfremont.com*, by December 2003. The new website will serve as an information resource on jobs available in Fremont and link Fremont companies, residents, and educational institutions in order to provide quality employees for Fremont firms.

### 5. Interesting places and things to do

The City is seeking innovative ways to encourage the creation of a vibrant Downtown Fremont. FY 2002/03 saw the completion of an economic analysis and the selection of a developer for a potential Capitol Avenue/ Downtown retail project. In addition, staff developed new engineering standards for public streets to encourage a pedestrian-friendly streetscape in the City's historic commercial districts and the downtown area.

The City has also continued its work to revitalize the historic commercial districts, leveraging private investment to increase prosperity. Efforts include implementation of a retail recruitment strategy with Niles property owners, planning for a pedestrian district in Bay Street in Irvington, and soliciting proposals for a mixed-use development in Centerville. Also in FY 2002/03, Quarry Lakes, the renovated Veterans' Building in Niles, and Bill Ball Plaza in Centerville opened, and are supported through Redevelopment Agency investment.

### 6. Effective transportation systems

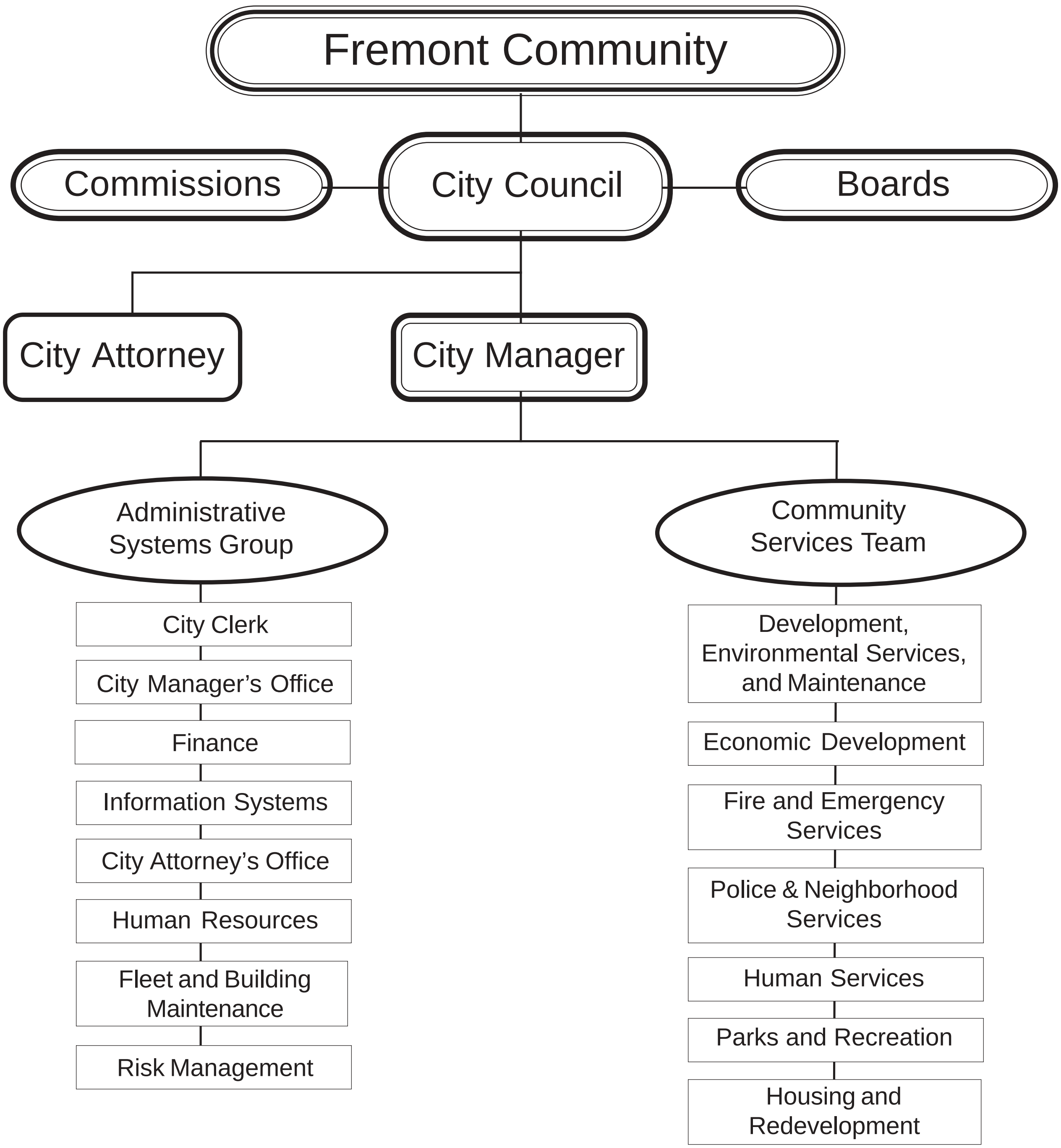
The City continues to work with regional partners to secure full funding for the extension of BART to San Jose and guide the project through the environmental and planning processes. The grade separation project is also nearing construction, slated for winter 2003, which will significantly relieve congestion on Paseo Padre Parkway and in downtown Irvington. A plan for the Warm Springs BART Station got underway in April 2003, and the draft Irvington Concept Plan includes a future Irvington BART Station. The plans will include appropriate land use regulations that encourage transit-oriented development around these new stations.

In FY 2002/03, the City completed construction of a $5.6 million pavement overlay project and a $3.6 million pavement rehabilitation project to improve traffic safety, facilitate transportation, and preserve the condition of streets throughout the community. To further improve traffic safety, the City continues to expand the Automated Red Light Enforcement program. Red light cameras are installed and fully operational at seven locations. Equipment at three additional intersections will be installed by December 2003. The City is exploring system expansion beyond these ten intersections to further reduce red-light related vehicle accidents. The City also established a new School Safety Committee to foster communications with the Fremont Unified School District and provide an effective problem-solving venue for traffic safety issues.

The City has improved its Paratransit Program to increase the quantity and enhance the quality of transportation services provided to seniors and disabled adults in Fremont. The City has expanded the existing individual ride and group trip service and has also developed new shuttle services from senior housing complexes. These improvements have resulted in a steady increase in the use of the Paratransit Program.


*Entrance to Ardenwood Historic Farm*

City of Fremont Organization Chart
Fiscal Year 2003/04



# City of Fremont Profile

## History

Fremont's rich heritage can be traced to the Ohlones, natives of the land, and to the Spanish priests who established Mission San Jose, the first Spanish mission located inland. Since those early days, Fremont's rich soil, central location, and excellent climate have continued to attract newcomers to this area. In the mid-1840s, John C. Frémont mapped a trail through Mission Pass to provide access for American settlers into the southeastern San Francisco Bay Area. During the Gold Rush era, the Mission area attracted miners headed for the California gold fields. Governor Leland Stanford acquired land in the Warm Springs area, where he planted vineyards and built one of the first wineries in the state. The Niles district made history when the last tracks needed to connect the transcontinental railroad were laid there. Further acclaim came to Niles when Charlie Chaplin filmed "The Tramp" at the Essanay Movie Studio there. In 1853, Washington Township was established and included the communities of Mission San Jose, Centerville, Niles, Irvington, and Warm Springs. On January 23, 1956, these communities joined to form the City of Fremont.


## Quality of Life

Fremont, located in southern Alameda County, stretches from the San Francisco Bay to the top of Mission Peak above historic Mission San Jose in the east. With a population of over 208,000, Fremont is the fourth largest city in the San Francisco Bay Area and ranks 94th among the most populous cities in the nation according to the California State Department of Finance. Fremont is approximately 92 square miles in size and includes the 450-acre Central Park and 80-acre Lake Elizabeth, along with 51 other parks, five community centers, and extensive sports facilities. Fremont is also home to the Don Edwards San Francisco Bay National Wildlife Refuge, adjacent to Coyote Hills Regional Park.

Fremont enjoys a high rate of home ownership, a low crime rate, and a quality of life that is considered to be one of the best in the United States. For example, Fremont was recently rated as the best place in which to raise healthy children in the nation. Fremont residents can expect a first-rate menu of local services, including a highly rated public education system, excellent public safety program, and recreation, park, and other leisure activities. In addition to beautiful parks and extensive recreational facilities, Fremont is easily accessible to three international airports, several major educational institutions, the Bay Area Rapid Transit system, and professional sports and cultural opportunities. Fremont is also home to Washington Hospital, a community asset for over 50 years.

## Government

*Incorporated January 23, 1956*

*Fremont is a General Law Council/ Manager City governed by a five-member City Council with a directly elected Mayor, all elected at large.*

*Number of directly elected Mayors (since 1978)*: 4

*Number of City Managers since Incorporation: 6*

*Full-time Employees FY 2003/04*[1]

| | |
|---|---|
| Develop. & Env. Services | 121.42 |
| Economic Development | 3.64 |
| Fire | 157.60 |
| General Government | 90.80 |
| Human Services | 40.57 |
| Maintenance | 131.50 |
| Police | 292.90 |
| Parks and Recreation | 36.10 |
| Housing and Redevelopement | 13.04 |
| Total | 887.57 |

## Demographics

*Land Area*: 92 square miles

*Population*

| | |
|---|---|
| 1956 | 22,443 |
| 1960 | 43,634 |
| 1970 | 102,321 |
| 1980 | 127,454 |
| 1990 | 173,116 |
| 2000 | 203,413 |
| 2003[2] | 209,000 |

*Climate*[3]

*Average Temperature*: 59°F (15°C)

*Avg. Annual Precipitation*: 13.6"

*Level of Educational Attainment of people 25 years and older*[4]

| | |
|---|---|
| College Degree | 43% |
| Associate Degree | 8% |
| Some College, no Degree | 20% |
| High School Graduate | 17% |
| Grades 9-12 (No Diploma) | 7% |
| Less than 9th Grade | 5% |

*Median Age*[4]: 35

*Mean Household Income (2005 projection)*[5]: $104,600

*Racial Composition*[4]

| | |
|---|---|
| Asian | 37% |
| African-American | 3% |
| White | 48% |
| Other | 6% |
| Two or more | 6% |

(Hispanic/Latino may be of any race)

## Business

*Major Employers, listed in order of number of employees*[6]

New United Motor Mfg. (NUMMI)
Lam Research Corporation
Avant! Corporation
Synnex Info Tech Inc.
Credence Systems Corporation
Seagate Magnetics
Read-Rite Corporation
Sysco Food Services
L S I Logic Corp
Extron Logistics LLC
Volex Inc.
Mattson Technology Inc.
Net.com
Flextronics International
Chahaya Optronics Inc.
Galgon Industry Inc.
Mileston Technologies
Avanex Corporation
ESS Technology
Logitech Inc.

*Distribution of jobs by major employment sectors (2005 projection)*[5]

| | |
|---|---|
| Agriculture | 0.7% |
| Manufacturing/Wholesale | 31.9% |
| Retail | 14.5% |
| Service | 32.2% |
| Other | 20.7% |
| Total Jobs | 115,700 |

## Community Services

*Family Resource Center:* 1
*Parks*: 52
*Senior Center:* 1
*Community Centers*: 5
*Fire Stations:* 10

## Services by Other Governmental Units

*Education*: Fremont Unified School District and Fremont-Newark Community College District

*Flood*: Alameda County Flood Control and Water Conservation District

*Parks:* East Bay Regional Park District

*Public Transportation*: Bay Area Rapid Transit District and Alameda-Contra Costa Transit District

*Sewer*: Union Sanitary District

*Gas and Electricity*: Pacific Gas and Electric

*Water*: Alameda County Water District

## Education

*Fremont Unified School District (FUSD) has 30 elementary schools, 5 junior high schools, 5 high schools and a continuation school.*

*FUSD Average SAT Score*[7]*:* 1114

*Percentage of FUSD graduates attending*[8]*:*
*University of California:* 18.1%
*California State University:* 14.9%

*Ohlone College is a public, two-year, open-admission community college with an average enrollment of 11,380 students per semester.*[9]

## Notes

[1] FY 2003/04 Adopted Operating Budget, City of Fremont

[2] California State Department of Finance

[3] National Weather Service

[4] U.S. Census 2000

[5] Association of Bay Area Governments (ABAG)

[6] City of Fremont, Economic Development Department

[7] Fremont Unified School District

[8] California Postsecondary Education Commission

[9] Ohlone College, Office of College Relations

# All City Funds Schedule

The "Summary of All Funds" schedule on the following page groups the City's funds into five categories:

- General
- Cost Center/Internal Service
- Special Revenue
- Redevelopment
- Capital

The first three groups are the operating funds of the City, and the last two are special classes of funds. The majority of funding for City operations and most of the City's services is derived from the first three groups.

The budget for the Fremont Redevelopment Agency is adopted separately by the City Council when it sits as the governing board of the Redevelopment Agency. The budget for capital funds is reviewed and adopted by the City Council as part of the Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP). Included with the City Council's adoption of the CIP/ICAP are the FY 2003/04 appropriations for Maintenance.

The "Summary of All Funds" schedule consolidates all funds Citywide and presents the total available resources and total use of resources, including beginning fund balances, revenues, expenditures, "operating transfers in" and "operating transfers out." This budget document is different from some other cities' budgets and the City's financial statements because governmental accounting treats many "interfund transactions" as revenues in one fund and expenditures in another fund. As a consequence, there is an overstatement of true revenues and expenditures that accrue to the City. This budget re-classes revenues and expenditures where double counting would otherwise occur. As a result, the "Total Expenditures" and "Total Revenues" lines for all funds present the true budgeted expenditures and revenues expected to be received and spent by the entire organization.

*Please refer to the General Fund section and the Other Funds section of this document for more information.*

## Summary of All Funds

| (Thousands of Dollars) | Total General Fund | Cost Center/ Internal Service Funds | Special Revenue Funds | RDA Funds | Capital Funds | Total All Funds |
|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/03 (est.)** | **$ 28,617** | **$ 11,255** | **$ 19,526** | **$ 78,672** | **$ 17,085** | **$ 155,155** |
| **Revenues** | | | | | | |
| Property Taxes | 33,153 | - | - | 25,459 | - | 58,612 |
| Sales & Use Taxes | 25,604 | - | - | - | - | 25,604 |
| Franchise Fees | 7,219 | - | - | - | - | 7,219 |
| Property Transfer Taxes | 909 | - | - | - | - | 909 |
| Business Taxes | 6,242 | - | - | - | - | 6,242 |
| Interest Income | 1,050 | 581 | 13 | 1,773 | 1,472 | 4,889 |
| Hotel/Motel Taxes | 1,977 | - | - | - | - | 1,977 |
| Vehicle License Fees | 12,379 | - | - | - | - | 12,379 |
| Paramedic Fees | 1,038 | - | - | - | - | 1,038 |
| Intergovernmental Revenues | 881 | - | 5,657 | - | 5,526 | 12,064 |
| Charges for Services | 2,913 | 15,391 | 4,681 | - | 2,300 | 25,285 |
| Fines | 2,472 | 43 | - | - | - | 2,515 |
| Sale of Bonds | - | - | - | 16,500 | - | 16,500 |
| Other Revenues | 824 | 157 | 483 | - | 2,800 | 4,264 |
| **Total Revenues** | **96,661** | **16,172** | **10,834** | **43,732** | **12,098** | **179,497** |
| Operating Transfers In | 6,741 | 4,767 | 502 | - | 26,323 | 38,333 |
| **Total Available Resources** | **132,019** | **32,194** | **30,862** | **122,404** | **55,506** | **372,985** |
| **Expenditures** | | | | | | |
| General Government | 10,322 | - | - | - | - | 10,322 |
| Public Safety: | | | | | | |
| Police | 38,198 | - | 768 | - | - | 38,966 |
| Fire | 22,694 | - | 315 | - | 94 | 23,103 |
| Development & Environmental Services: | | | | | | |
| Planning | - | 2,577 | - | - | - | 2,577 |
| Building & Safety | - | 3,902 | - | - | - | 3,902 |
| Engineering | - | 6,327 | - | - | - | 6,327 |
| Community Preservation | 649 | - | - | - | - | 649 |
| Environmental Services | - | - | 4,424 | - | - | 4,424 |
| Human Services | 2,377 | 574 | 5,903 | - | - | 8,854 |
| Maintenance | - | - | - | - | 18,850 | 18,850 |
| Recreation | - | 5,622 | - | - | - | 5,622 |
| Neighborhoods | - | - | 409 | 70,788 | - | 71,197 |
| Non-departmental | 2,802 | 1,262 | - | - | 5,824 | 9,888 |
| Debt costs | 150 | - | 506 | 5,676 | 6,493 | 12,825 |
| **Total Expenditures** | **77,192** | **20,264** | **12,325** | **76,464** | **31,261** | **217,506** |
| Operating Transfers Out | 29,638 | 2,792 | 1,057 | 294 | 4,552 | 38,333 |
| Transfers to Reserves | - | - | - | - | - | - |
| **Total Use of Resources** | **106,830** | **23,056** | **13,382** | **76,758** | **35,813** | **255,839** |
| **Fund Balance - 6/30/04 (est.)** | **$ 25,189** | **$ 9,138** | **$ 17,480** | **$ 45,646** | **$ 19,693** | **$ 117,146** |

**Note:** Some internal charges between funds are classified as either transfers or expenditures to clarify departmental budget resources and appropriations. This results in minor differences between the individual departmental budgets and amounts shown in the Summary of All Funds schedule above.

# Citywide Position Changes

The FY 2003/04 budget contains 887.57 full-time equivalent (FTE) permanent positions, a decrease of 144.78 from the level in the adopted FY 2002/03 level, or 14%. Detailed information on departmental FTE changes may be found in the Staffing section of this document.

**This reduction in FTEs represents 165 positions eliminated in the FY 2003/04 budget.** A position's budgeted FTE value for the fiscal year may be less than 1.0 when the position is scheduled to be eliminated mid-year FY 2003/04. In such cases, the position is budgeted for only a part of the fiscal year. In addition to 165 permanent positions, the City is eliminating 59 temporary positions, for a total of 224 positions.

Unless otherwise noted, all positions listed below are being eliminated as of July 1, 2003.

| **General Fund Positions Eliminated** | |
|---|---|
| Animal Services Officer | 3 |
| Finance Director | 1 |
| Clinical Nurse Educator | 1 |
| Code Enforcement Officer II | 1 |
| Community Engagement Specialist | 2 |
| Community Service Officer | 4 |
| Computer Specialist | 1 |
| Fire Captain[1] | 4 |
| Fire Dispatcher[2] | 11 |
| Fire Education Coordinator | 1 |
| Fire Engineer[3] | 8 |
| Firefighter[4] | 9 |
| Forensic Specialist I | 1 |
| Human Resources Analyst | 1 |
| Junior Accountant | 2 |
| Management Analyst I | 1 |
| Management Analyst II | 6 |
| Management Analyst III | 1 |
| Police Captain | 1 |
| Police Identification Specialist I | 2 |
| Police Lieutenant | 2 |
| Police Officer[5] | 22 |
| Police Sergeant[6] | 3 |
| Program Coordinator | 1 |
| Retail Program Manager | 1 |
| Support Specialist | 21 |
| Veterinary Technician | 1 |
| **Subtotal (General Fund)** | **112** |

**Special Revenue Fund Positions Eliminated**

| | |
|---|---|
| Assistant Planner | 1 |
| Associate Civil Engineer | 2 |
| Associate Transportation Engineer | 2 |
| Building Inspector | 2 |
| Building Inspector Specialist | 2 |
| Building Trade Worker I | 1 |
| Building Trade Worker II | 4 |
| Chef/ Food Service Manager | 1 |
| Civil Engineer I | 1 |
| Civil Engineer II | 1 |
| Deputy Director of Dev/ Env Services | 1 |
| Deputy Director of Maintenance Services[7] | 1 |
| Deputy Director of Recreation Services | 1 |
| Engineering Technician II | 1 |
| Maintenance and Recreation Services Director[8] | 1 |
| Management Analyst I | 1 |
| Management Analyst III | 1 |
| Park Field Supervisor | 1 |
| Park Maintenance Worker I | 6 |
| Park Maintenance Worker II | 3 |
| Park Ranger[9] | 1 |
| Plan Check Engineer | 3 |
| Recreation Superintendent | 1 |
| Recreation Supervisor I | 1 |
| Senior Engineering Specialist | 1 |
| Senior Planner | 1 |
| Street Maintenance Worker II | 3 |
| Support Specialist | 6 |
| Tiny Tot Specialist | 1 |
| Traffic and Transportation Manager | 1 |
| | |
| **Subtotal (Special Revenue Funds)** | **53** |
| **Temporary positions** | **59** |
| **Grand total** | **224** |

**Notes:**

[1] Two of four Fire Captain positions will be eliminated mid-year FY 2003/04.
[2] Eleven Fire Dispatcher positions will be eliminated mid-year FY 2003/04.
[3] One of eight Fire Engineer positions will be eliminated mid-year FY 2003/04.
[4] Seven of nine Firefighter positions will be eliminated mid-year FY 2003/04.
[5] One of twenty-two Police Officers will be eliminated mid-year FY 2003/04.
[6] Two of three Police Sergeant positions will be eliminated mid-year FY 2003/04.
[7] The Deputy Director of Recreation Services position will be eliminated mid-year FY 2003/04
[8] The Maintenance and Recreation Services Director position will be eliminated mid-year FY 2003/04.
[9] Several Park Rangers have reduced schedules from full-time to part-time to limit the number of actual positions eliminated.

# City Debt

Cities have primarily three choices in financing their operations and funding public facilities: pay-as-you-go, debt financing, and public-private ventures. The City has adopted a Long-Term Capital Debt Policy that sets the guidelines for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. The City will consider the issuance of long-term debt obligations only under the conditions outlined in the policy. The Long-Term Capital Debt Policy is located at the end of this budget document. Present and future planned and anticipated debt payments affecting the operating budget are detailed on the "transfers summary" located in the General Fund section of this budget.

The charts below summarize the City's existing long-term debt and future debt obligations related to that existing debt.

| Debt Outstanding Fiscal Years Ending 2002 and 2003 | | |
|---|---|---|
| | **2002** | **2003** |
| **Redevelopment Agency** | | |
| Tax Increment Bonds, Redevelopment Agency, Tax Allocation Bond Series 2000 | **$ 47,445,000** | **$ 44,645,000** |
| | | |
| **City's Certificates of Participation** | | |
| 1990 Public Financing Authority | $ 5,775,000 | $ 5,500,000 |
| 1991 Public Financing Authority | 4,200,000 | 4,100,000 |
| 1997 Public Financing Authority | 13,570,000 | 13,285,000 |
| 1998 Public Financing Authority | 46,650,000 | 44,725,000 |
| 2001 Public Financing Authority | 34,860,000 | 34,860,000 |
| 2001B Public Financing Authority | 10,055,000 | 10,055,000 |
| 2002 Public Financing Authority | | 36,820,000 |
| **Total Certificates of Participation** | **115,110,000** | **149,345,000** |
| | | |
| **Total Tax Increment Bonds and Certificates of Participation** | **$ 162,555,000** | **$ 193,990,000** |

| Annual Debt Service Requirements -- 2003 | | |
|---|---|---|
| | City's Certificates of Participation | Redevelopment |
| | | |
| FY 2002/03 | $ 5,195,609 | $ 4,885,534 |
| FY 2003/04 | 7,801,229 | 4,882,662 |
| FY 2004/05 | 8,750,810 | 4,879,564 |
| FY 2005/06 | 8,780,019 | 4,875,228 |
| FY 2006/07 | 8,825,150 | 4,873,849 |
| FY 2007/08 | 8,852,864 | 4,869,978 |
| Thereafter | 187,710,808 | 33,931,217 |
| **Total Principal & Interest** | 235,916,489 | 63,198,032 |
| Less Interest | (86,571,489) | (18,553,032) |
| **Total Principal** | **$ 149,345,000** | **$ 44,645,000** |

### Legal Debt Margin

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal debt limit. With no outstanding debt subject to the legal debt limit and a legal debt limit of $3,435,063,758, the City is not at risk of exceeding its legal debt limit.

**Computation of Legal Debt Margin as of June 30, 2002**

| | |
|---|---|
| Assessed Valuation (Net)[1] | $ 22,900,425,051 |
| Debt Limit: 15% of assessed value | $ 3,435,063,758 |
| Less Outstanding Debt (Subject to Legal Debt Limit) | - |
| Legal Debt Margin | $ 3,435,063,758 |

[1] Source: Alameda County Controller's Office Certification as reported in *City of Fremont, California Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2002.*

### Compliance with Long-Term Debt Policy

The City of Fremont's Long-Term Capital Debt Policy, adopted by the City Council on May 7, 1996, and revised and readopted with the CIP/ICAP on July 8, 1998, requires that General Fund supported debt service will not exceed 7% of total General Fund budgeted expenditures and transfers out. With FY 2003/04 General Fund supported debt service of $6,493,000, and a debt level limit of $7,478,100 the City has not exceeded its debt service limit.

**Computation of Compliance with Debt Service Limit**

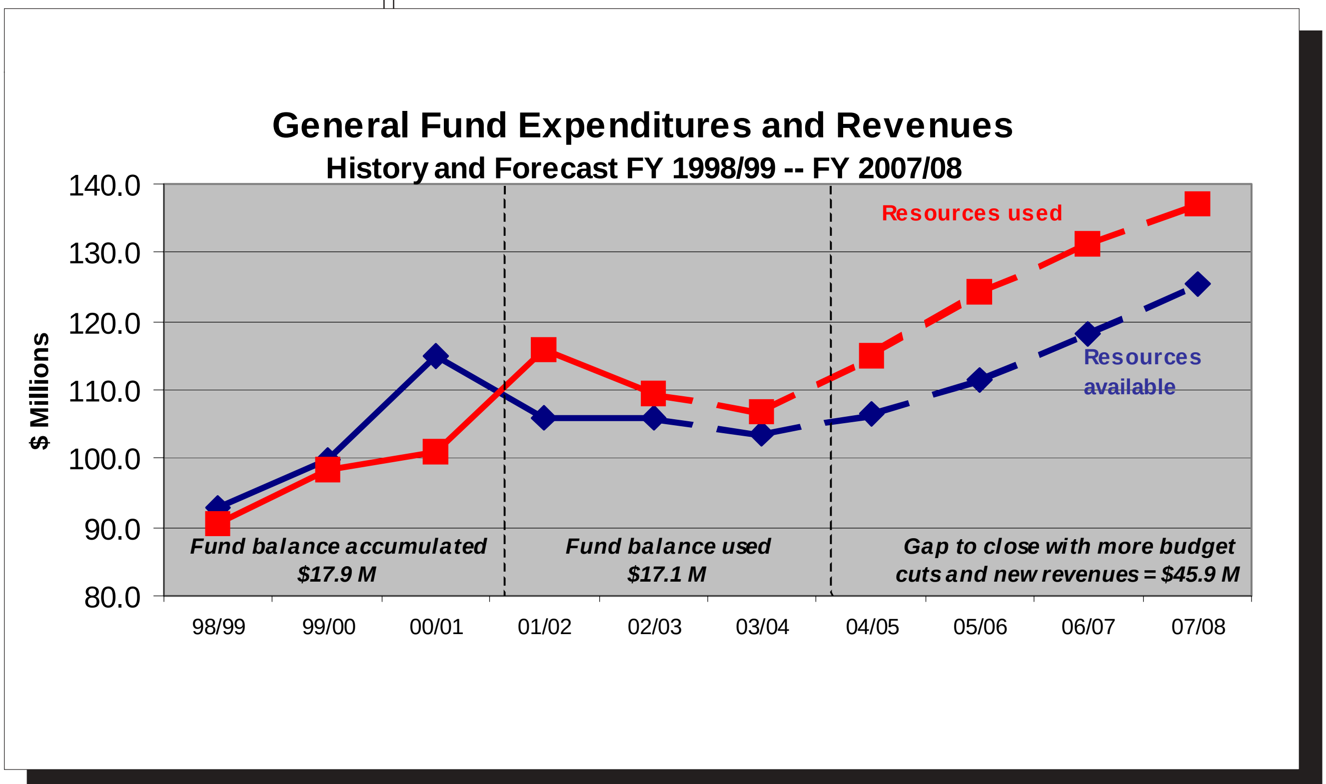
| | |
|---|---|
| Total General Fund Budgeted Expenditures and Transfers Out | $ 106,830,000 |
| Policy Debt Level Limit,<br>7% of Total Budgeted Expenditures and Transfers Out | $ 7,478,100 |
| Less General Fund Supported Debt Service | 6,493,000 |
| Policy Debt Margin | $ 985,100 |

Five-Year Forecast

## Overview

The five-year forecast is an important tool for effective long-range financial planning. The economic recession of the early 1990s highlighted the importance of monitoring projected revenues and future expenditures to ensure that planned future expenditure obligations can be met with realistic future revenue streams. The forecast is updated continuously, with presentations to the City Council three times each year: after the first fiscal quarter, at mid-year, and again during budget adoption, using the most current information available.

The five-year forecast presented with the FY 2003/04 budget helps us understand the changing nature of our budget choices, and the kinds of decisions needed to balance ongoing expenditures with ongoing available resources.




The graph above shows the changing nature of the budget. Over the past two years, we responded to the revenue decline that began dramatically in FY 2001/02 and is projected to continue through FY 2003/04. Beginning in FY 2004/05, revenues are expected to gradually recover, and resume historical growth rates in FY 2006/07. Through two years of budget reductions, we have taken the first steps toward balancing ongoing expenditures with revenues. In FY 2004/05, however, the nature of the problem shifts from one of revenue decline to one of rapid cost increases.

The graph also illustrates the importance of fund balance, which accumulates when resources received exceed expenditures, as a tool for cushioning against the effects of unexpected revenue shortfalls. During years of economic prosperity, the City invested cautiously in basic services, like police, fire, and maintenance, created General Fund reserves, and saved the remainder of excess resources as fund balance to be programmed in the future. During FY 2001/02, the year of the steepest revenue decline, the City had to use $10 million of accumulated fund balance in order to preserve basic services and avoid immediate employee layoffs.

Even with the budget reductions adopted prior to FY 2002/03, the City will use another $3.4 million in FY 2003/04, and consume the remaining fund balance and Budget Uncertainty Reserve in FY 2004/05. Without further budget reductions or new, voter-approved revenues, the City will have only its reserves left, which could be consumed during FY 2005/06. While the City would never adopt an annual budget that reflects resources inadequate to support expenditures in the budget year, the forecast tool provides the information that enables the City to make decisions and act to prevent this situation years in advance.

The forecast models significant assumptions made for each forecast year and distinguishes between ongoing costs and one-time expenditures. This section provides the major assumptions in the model and highlights accounting, programmatic, and policy considerations accounted for in the forecast.

## General Assumptions

The five-year forecast includes estimated actual results for FY 2002/03 and forecasts of revenues and expenditures for the next five years, through FY 2007/08. The forecast assumes and incorporates the following:

1. The economic recession will continue, but not worsen, during FY 2003/04. It will begin to gradually recover in FY 2004/05, and return to historically average growth rates in the final two years of the forecast
2. Expenditure increases based on negotiated agreements with employee bargaining units and on changes in the Consumer Price Index
3. Service reductions and associated budget reductions for FY 2003/04 as adopted by the City Council
4. Commitments for fund transfers contained in the Adopted FY 2003/04 through FY 2007/08 CIP/ICAP budget
5. Commitments for all known and anticipated debt service

## Fund Balance

In the forecast, the ending fund balance for one year becomes the beginning fund balance for the following year. The ending fund balance for FY 2001/02 of $8.4 million became the beginning fund balance for FY 2002/03. The net results of operations for FY 2002/03 is projected to be negative $3.7 million, mostly due to revenue shortfalls. The net results are subtracted from the beginning fund balance, for an ending fund balance of $4.7 million.

That ending fund balance for FY 2002/03 then becomes the beginning fund balance for FY 2003/04.

The net results trend is one of the most useful for budget planning and management because it represents the difference between annual resources received and their uses. Given current economic circumstances, expenditures (including transfers out) are greater than revenues (including transfers in), resulting in negative net results in every year of the forecast. Consequently, the ending fund balance in the last year, FY 2007/08, shows a large deficit. Without changes in expenditures or increased revenues, the City will consume all of its accumulated fund balance and all reserves midway through the five-year forecast period. Staff will recommend options to close the gap before the entire fund balance disappears. Without a five-year planning horizon, however, the City risks making decisions that jeopardize its financial sustainability.

## Revenue Assumptions

Since the economy soured in 2001, revenues declined 10.4% in FY 2001/02 and face a further decline of 2.3% for FY 2002/03, for a new revenue base of $97.1 million. The forecast suggests that revenues have nearly reached the low point for the economic downturn and will decrease only slightly, 0.4%, in FY 2003/04. Total revenues are projected to begin a gradual recovery in FY 2004/05, and resume moderate growth in FY 2005/06.

Revenue estimates in the FY 2003/04 budget and throughout the five-year forecast have been increased 1.0% to offset a tendency of our estimation models to underestimate revenues. For several years prior to FY 2001/02, the City's actual revenues consistently exceeded projections by an average of 3.5%. In addition, as we forecast revenues in periods of economic slowdown or downturn, we rarely anticipate the return of economic strength. Because unanticipated economic events will affect revenues, it is difficult to predict which revenues will exceed expectations in a given year. This 1% assumption will help the City prevent unnecessary service reductions and is consistent with historical revenue performance.

The following table shows the annual change assumptions for key revenues (but does not include the 1.0% estimation adjustment factor):

| **Revenue** | **FY 03/04** | **FY 04/05** | **FY 05/06** | **FY 06/07** | **FY 07/08** |
|---|---|---|---|---|---|
| Property Tax | 1.0% | 3.0% | 4.75% | 6.5% | 6.5% |
| Sales and Use Tax | 0.0% | 3.0% | 5.0% | 6.0% | 6.0% |
| Vehicle License Fees (VLF) | 0.0% | 3.5% | 5.0% | 7.7% | 7.0% |
| Franchise Fee | 4.0% | 4.0% | 5.0% | 6.0% | 6.0% |
| Business Taxes | 3.0% | 3.0% | 4.75% | 6.5% | 6.5% |
| Hotel/Motel Tax | 3.0% | 3.0% | 6.0% | 10.0% | 10.0% |
| Interest Income | -20.0% | 0.0% | 5.0% | 5.0% | 5.0% |

Property tax makes up approximately 34% of total General Fund revenues in FY 2003/04. The City receives a property tax allocation from Alameda County based primarily on growth in the City's assessed property valuation. The forecast is cautious but optimistic about continued moderate growth. Low mortgage interest rates and consistent demand have contributed to stable residential property values. However, the City is concerned that high vacancy levels among commercial and industrial properties will lead to reassessments in response to assessed valuation appeals by property owners. Therefore, the forecast is for growth in the near-term to fall far short of the 10-year average 6.6% growth rate.

Sales and use taxes comprise approximately 26% of total General Fund revenues in FY 2003/04. After unprecedented sales tax revenue growth in FY 2000/01, the City experienced a decrease of 14% in FY 2001/02, and projects a further 13% decrease in FY 2002/03 due to the economic recession. In FY 2003/04, the City expects sales tax revenue to stabilize, but remain unchanged from the FY 2002/03 level, after factoring out a one-time positive adjustment of $2.9 million.

*Growth is expected to resume in FY 2004/05, with a gradual return to historical average growth rates in the final years of the forecast.*

Growth is expected to resume in FY 2004/05, with a gradual return to historical average growth rates in the final years of the forecast. Proposition 172 (one-half cent sales tax) is included in the sales tax category in the five-year forecast. It is allocated countywide and is expected to increase at the same rate as general sales tax, even though the allocation method for this revenue is different from the allocation of other sales/use tax.

Vehicle License Fees revenue is projected to grow 4-7% annually, assuming the State continues to backfill funds to the City to compensate for the Legislature's reduction of fees to vehicle owners. The business tax category of revenues is forecast to increase 3%-6% through the forecast period. Assumptions for business tax revenue growth in the near-term are tempered by the general economic slowdown. Franchise fees are projected to increase 4-6% annually, as increases in the utility fees on which the fees are calculated have offset some of the decrease in demand from the general economic slowdown.

The hotel/motel tax, which has decreased by more than 50% since FY 2000/01, is expected to stabilize in FY 2003/04. Since the room capacity remains in place, this revenue is expected to grow more rapidly when the business travel market recovers, currently projected for FY 2006/07. Interest income continues to drop dramatically from its peak of $3.6 million in FY 2000/01. Declining interest rates, coupled with the decline in the General Fund fund balance, are expected to drive this revenue lower in FY 2003/04, and then stabilize and gradually increase, as the economy and the City's General Fund recover.

## Operating Transfers In

The amounts shown as “Operating Transfers In” primarily represent overhead cost allocations and other General Fund service charges to other City funds. Annual changes in the level of transfers in generally reflect the growth rate of General Fund expenditures. Total transfers in decrease by $2.0 million in FY 2003/04, which is attributable to a one-time use of prior years’ savings equal to that same amount. A schedule detailing all transfers for the five-year period is located in the General Fund section of this budget document.

## Expenditures

Continuing the process to align ongoing expenditures with ongoing revenues, FY 2003/04 budgeted expenditures are slightly more (0.2%) than FY 2002/03 projected actual expenditures. Expenditures in each year of the forecast are based on FY 2003/04 budgeted levels, adjusted for known cost adjustments. The expenditure forecast models salary and non-salary costs for the forecast period.

*Contributions to CalPERS are the major source of cost increases in the five-year forecast.*

Salary and benefit costs, which comprise approximately 76% of General Fund expenditures in FY 2003/04, incorporate all elements from bargaining unit agreements, the current status of each position, and each individual employee’s current salary. As a result, cost estimates for currently authorized staff are reliable for long-term forecasting.

Contributions to CalPERS, the employee retirement provider, are the major source of cost increases in the five-year forecast. The rates the City pays are heavily influenced by market performance of the CalPERS investment portfolio. As a result, the City’s contribution for CalPERS costs will more than double over the next two years and triple over the five-year forecast. In the forecast, approximately 45% ($10.7 million) of the $23.6 million expenditure increases forecast between FY 2003/04 and FY 2007/08 are attributable to projected CalPERS cost increases.

As a result of previously negotiated agreements with employee bargaining units, salaries and benefits are increasing approximately 20% over five years. The salary and benefits increase accounts for approximately 44% of the expenditure increase in the five-year forecast, CalPERS costs account for 45%, and other cost increases stemming from an inflation allowance, related to the Consumer Price Index, on materials, supplies, and non-salary services account for the remaining 11%.

The Annual Operating Contingency, administered by the City Manager, provides funding to cover “other non-departmental” line items, including employee leave costs payable upon separation from the organization, municipal elections, and unanticipated costs that emerge during the year. The FY 2003/04 increase in the non-departmental budget is largely due to increased, centralized contingency funding. Funding for the Annual Operating Contingency, formerly called the City Manager's Contingency, has been increased by $750,000, to $1.31 million, to cover costs associated with resizing the organization. In future years, we expect this contingency will be reduced to $1.1 million as the level of budget uncertainty subsides.

## Operating Transfers Out

A schedule of transfers out for the five-year period is contained in the General Fund section of this budget document. The reasons for significant variations in transfers out during the forecast period include the following:

- ***Contributions to the Capital Improvement Program/Integrated Capital Assets Plan:*** Contributions from the General Fund to the Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP) support the acquisition and maintenance of the City's capital assets. As part of the General Fund budget reduction strategy, the City will transfer $3.4 million less from the General Fund to the CIP/ICAP than the projected transfer level in FY 2002/03. This reduction includes elimination of General Fund support for capital projects, totalling $2 million, and a $2.4 million reduction in support for maintenance operations. These reductions are partially offset by a $1.0 million increase for continued development of Fremont's future downtown. In future years of the forecast, support for maintenance is increased to cover negotiated salary and benefit cost increases.

- ***Debt service:*** For FY 2003/04, budgeted transfers for debt service are increasing over those budgeted in FY 2002/03 by $900,000. When the FY 2003/04 budget is compared to the estimated actual for FY 2002/03, the difference is $1.7 million. The significant difference between the FY 2002/03 adjusted budget ($5.6million) and estimated acutal ($4.8 million) is due to favorable performance of the City's adjustable rate outstanding debt. The increase in FY 2003/04 is primarily the result of beginning debt service payments for a bond issuance that includes the improvements to the newly acquired City Hall building. Debt service increases again in FY 2005/06 to pay for the new Maintenance Center. The General Fund will be able to save $3.3 million on debt service for the Maintenance Center through use of debt proceeds no longer required for the construction of Fire Station #11. Without these savings, debt service for the new Maintenance Center would have begun in FY 2003/04.

- ***The General Fund allocation to the Development, Senior Center, and Recreation Cost Centers:*** As part of the General Fund reduction strategy, transfers to support cost center activities have been reduced in FY 2003/04. The General Fund allocation to the Development Cost Center covers the cost of services provided by the Development Cost Center to the General Fund. The transfer to the Development Cost Center for FY 2003/04 is 24% lower than the FY 2002/03 adopted budget level and 12% lower than the FY 2002/03 adjusted budget level.

The General Fund allocation to the Senior Center supports staffing and operations costs at that facility. In FY 2003/04, the allocation to the Senior Center is decreasing 33% from the FY 2002/03 adopted budget level and 17% from the FY 2002/03 adjusted budget level. The General Fund allocation to the Recreation Cost Center supports activities not otherwise covered by fees. In FY 2003/04, the allocation to this cost center is 30% less than it was in the FY 2002/03 adopted budget and 23.3% less than it was in the FY 2002/03 adjusted budget.

- ***Transfers to Reserves:*** City Council policies require that 15% of total General Fund expenditures and transfers out be held in two reserves, the Contingency Reserve (12.5%) and the Program Investment Reserve (2.5%). These reserve levels will be maintained throughout the forecast period, consistent with City Council policy. Since the FY 2003/04 budget is approximately 12% lower than the FY 2002/03 adopted budget, maintaining reserve levels at 15% allows for a $1.7 million reduction in these reserves. Instead of re-programming these funds, the money will be transferred to the Budget Uncertainty Reserve, which is available to offset the effects of potential State revenue takeaways, further revenue declines caused by the economy, and the effects of unanticipated and unavoidable costs.

| General Fund Adopted Budget and Forecast Through 2007/08 | | | | | | |
|---|---|---|---|---|---|---|
| (Thousands of Dollars) | FY 02/03 Est. Actual | FY 03/04 | FY 04/05 | FY 05/06 | FY 06/07 | FY 07/08 |
| **Revenues:** | | | | | | |
| Property Taxes | $ 32,500 | $ 33,153 | $ 34,148 | $ 35,770 | $ 38,095 | $ 40,572 |
| Sales & Use Taxes | 28,231 | 25,604 | 26,372 | 27,691 | 29,353 | 31,114 |
| Franchise Fees | 6,873 | 7,219 | 7,508 | 7,884 | 8,357 | 8,858 |
| Property Transfer Taxes | 900 | 909 | 952 | 1,014 | 1,080 | 1,149 |
| Business Taxes | 6,000 | 6,242 | 6,429 | 6,734 | 7,171 | 7,638 |
| Interest Income | 1,300 | 1,050 | 1,050 | 1,103 | 1,158 | 1,216 |
| Hotel/Motel Taxes | 1,900 | 1,977 | 2,036 | 2,158 | 2,375 | 2,612 |
| Vehicle License Fees | 11,450 | 12,379 | 12,812 | 13,452 | 14,394 | 15,401 |
| Paramedic Fees | 998 | 1,038 | 1,070 | 1,102 | 1,135 | 1,157 |
| Intergovernmental Revenues | 855 | 881 | 898 | 916 | 934 | 953 |
| Charges for Services | 2,884 | 2,913 | 2,913 | 3,001 | 3,091 | 3,184 |
| Fines | 2,400 | 2,472 | 2,522 | 2,598 | 2,675 | 2,755 |
| Other Revenues | 800 | 824 | 848 | 883 | 918 | 954 |
| **Total Revenues** | **97,091** | **96,661** | **99,558** | **104,306** | **110,736** | **117,563** |
| **Operating Transfers In:** | | | | | | |
| Recurring Transfers In | 6,728 | 6,741 | 6,973 | 7,267 | 7,520 | 7,783 |
| Non-recurring Transfers In | 2,040 | - | - | - | - | - |
| Total Operating Transfers In | 8,768 | 6,741 | 6,973 | 7,267 | 7,520 | 7,783 |
| **Resources Available: Revenues plus Operating Transfers In** | **105,859** | **103,402** | **106,531** | **111,573** | **118,256** | **125,346** |
| **Expenditures:** | | | | | | |
| General government | 10,728 | 10,322 | 11,032 | 11,918 | 12,481 | 13,040 |
| Police | 37,532 | 38,198 | 42,337 | 46,362 | 49,045 | 51,646 |
| Fire | 22,592 | 22,694 | 23,909 | 26,268 | 27,826 | 29,328 |
| Community Preservation (DES) | 709 | 649 | 703 | 773 | 814 | 855 |
| Human Services | 2,921 | 2,377 | 2,589 | 2,846 | 2,991 | 3,132 |
| Neighborhoods | 364 | - | - | - | - | - |
| Other Non-Departmental | 2,197 | 2,802 | 2,686 | 2,620 | 2,755 | 2,689 |
| TRANs (debt) costs | - | 150 | 150 | 150 | 150 | 150 |
| **Total Expenditures** | **77,043** | **77,192** | **83,406** | **90,937** | **96,062** | **100,840** |
| **Operating Transfers Out:** | | | | | | |
| Integrated Capital Assets Plan | 21,697 | 18,328 | 20,021 | 20,742 | 21,492 | 22,272 |
| Debt | 4,819 | 6,493 | 6,492 | 7,508 | 8,293 | 8,317 |
| Cost Center Allocations | 5,915 | 4,767 | 4,958 | 5,156 | 5,363 | 5,578 |
| Other | 50 | 50 | 50 | 50 | 50 | 50 |
| **Total Operating Transfers Out** | **32,481** | **29,638** | **31,521** | **33,456** | **35,198** | **36,217** |
| **Resources Used: (Expenditures plus Operating Transfers Out)** | **109,524** | **106,830** | **114,927** | **124,393** | **131,260** | **137,057** |
| **Net Results of Operations: (Resources Available less Resources Used)** | **(3,665)** | **(3,428)** | **(8,396)** | **(12,820)** | **(13,004)** | **(11,711)** |
| Transfer to Reserves | - | - | 1,232 | 1,420 | 1,031 | 861 |

The “Net Results of Operations” line (Resources Available less Resources Used) represents the budgetary challenge facing the City of Fremont.

# Operating Transfers Detail for the General Fund

| Detail of Transfers In to General Fund from Other Sources | | | | | | |
|---|---|---|---|---|---|---|
| (Thousands of Dollars) | Estimated Actual FY 02/03 | FY 03/04 | FY 04/05 | FY 05/06 | FY 06/07 | FY 07/08 |
| **Overhead Transfers In From Other Funds:** | | | | | | |
| Overhead charges to development (Funds 011, 012, 013) | 1,478 | 1,582 | 1,645 | 1,711 | 1,779 | 1,850 |
| Overhead charges to environmental (Fund 115,123) | 263 | 282 | 293 | 305 | 317 | 330 |
| Overhead charges to Paratransit (Fund 151, 164) | 18 | 13 | 14 | 15 | 16 | 17 |
| Human Services Overhead to Grants | 146 | 87 | 90 | 94 | 98 | 102 |
| Overhead charges to Recreation (Fund 189) | 710 | 710 | 738 | 768 | 799 | 831 |
| Overhead charges to ICAP (Fund 500) | 2,229 | 2,352 | 2,446 | 2,544 | 2,646 | 2,752 |
| Overhead amounts to INFO SYS (Fund 620) | 560 | 492 | 512 | 532 | 553 | 575 |
| Overhead charges to LLMD's (Fund 460) | 4 | 4 | 4 | 4 | 4 | 4 |
| Overhead charges to Multifamily Housing (Fund 191) | 25 | 26 | 27 | 28 | 29 | 30 |
| Overhead charges to Low & Moderate Housing (Fund 911) | 91 | 108 | 112 | 116 | 121 | 126 |
| Overhead from RDA (Fund 950) | 354 | 185 | 192 | 200 | 208 | 216 |
| **Sub-total Recurring Transfers In from Other Funds** | **$ 5,878** | **$ 5,841** | **$ 6,073** | **$ 6,317** | **$ 6,570** | **$ 6,833** |
| **Miscellaneous Recurring Transfers In:** | | | | | | |
| Impact fee reimbursement | 850 | 900 | 900 | 950 | 950 | 950 |
| **Sub-total Misc. Recurring Transfers In** | **$ 850** | **$ 900** | **$ 900** | **$ 950** | **$ 950** | **$ 950** |
| **Miscellaneous Non-recurring Transfers In:** | | | | | | |
| Transfer From Departmental Carry Over | 2,040 | - | - | - | - | - |
| **Sub-total Misc. Non-recurring Transfers In** | **$ 2,040** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| **TOTAL OPERATING TRANSFERS IN** | **$ 8,768** | **$ 6,741** | **$ 6,973** | **$ 7,267** | **$ 7,520** | **$ 7,783** |

| Detail of Transfer Out of General Fund to Other Funds | | | | | | |
|---|---|---|---|---|---|---|
| (Thousands of Dollars) | Estimated Actual FY 02/03 | FY 03/04 | FY 04/05 | FY 05/06 | FY 06/07 | FY 07/08 |
| **Transfers to the Capital Improvement Program:** | | | | | | |
| Contribution to Maintenance | 19,697 | 17,328 | 18,021 | 18,742 | 19,492 | 20,272 |
| Contribution to Other CIP Projects | 2,000 | - | 1,000 | 1,000 | 1,000 | 1,000 |
| Additional CIP contribution | - | - | - | - | - | - |
| Downtown Plan | - | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Catellus Parcel Transfer to CIP | - | - | - | - | - | - |
| **Sub-total - Transfers for the ICAP** | **$ 21,697** | **$ 18,328** | **$ 20,021** | **$ 20,742** | **$ 21,492** | **$ 22,272** |
| **Transfers for Debt Service:** | | | | | | |
| 2002/03 Capital Notes | 130 | | | | | |
| 1990 COP 39550 Liberty Street & Fire Vehicles | 367 | 432 | 424 | 441 | 458 | 474 |
| 1991 COP Fire | 158 | 201 | 198 | 196 | 193 | 191 |
| 1997 COP City Services Center | 259 | - | - | - | - | - |
| 1998 COP Library, Police Building, Fire | 1,791 | 1,911 | 1,900 | 1,901 | 1,902 | 1,900 |
| 1997 COP Police Building | 572 | 572 | 574 | 575 | 571 | 571 |
| 1998 COP Police Building | 1,323 | 1,324 | 1,320 | 1,319 | 1,319 | 1,326 |
| 2001 COP Liberty/Capitol, Fire Land, City Hall | 219 | 1,502 | 1,518 | 1,526 | 1,542 | 1,556 |
| 2001 COP (B) Liberty/Capitol, Fire Trucks | - | 551 | 558 | 564 | 571 | 557 |
| Maintenance & Fire Station #11 | - | - | - | 986 | 1,737 | 1,742 |
| **Sub-total - Debt Service & Future Bond Issues** | **$ 4,819** | **$ 6,493** | **$ 6,492** | **$ 7,508** | **$ 8,293** | **$ 8,317** |
| **Cost Center Allocations for Non-Fee Programs** | | | | | | |
| DES Cost Center | 2,633 | 2,191 | 2,279 | 2,370 | 2,465 | 2,564 |
| Recreation Cost Center | 2,988 | 2,331 | 2,424 | 2,521 | 2,622 | 2,727 |
| Senior Center Cost Center | 294 | 245 | 255 | 265 | 276 | 287 |
| **Sub-total - Cost Center Allocations** | **$ 5,915** | **$ 4,767** | **$ 4,958** | **$ 5,156** | **$ 5,363** | **$ 5,578** |
| **Transfers Reserves:** | | | | | | |
| Transfer to Contingency Reserve | - | (1,422) | 1,027 | 1,183 | 859 | 718 |
| Transfer to Program Investment Reserve | - | (284) | 205 | 237 | 172 | 143 |
| Transfer to Budget Uncertainty Reserve | - | 1,706 | - | - | - | - |
| **Total Reserves** | **$ -** | **$ -** | **$ 1,232** | **$ 1,420** | **$ 1,031** | **$ 861** |
| **Other Transfers from the GF:** | | | | | | |
| Southern Alameda County Narcotics Enforcement | 50 | 50 | 50 | 50 | 50 | 50 |
| **Sub-total - Other transfers** | **$ 50** | **$ 50** | **$ 50** | **$ 50** | **$ 50** | **$ 50** |
| **Total Operating Transfers Out** | **$ 32,481** | **$ 29,638** | **$ 32,753** | **$ 34,876** | **$ 36,229** | **$ 37,078** |

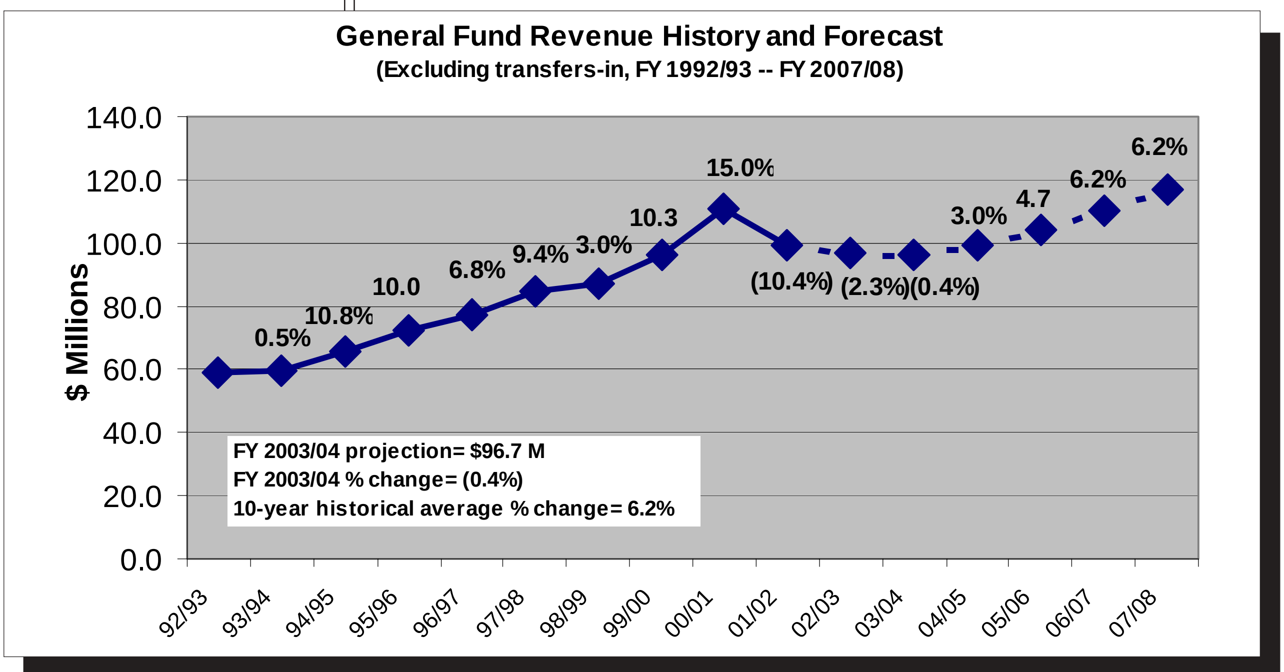
| General Fund Historical and Adopted Budget 2003/04 | | | | | | |
|---|---|---|---|---|---|---|
| (Thousands of Dollars) | FY 98/99 Actual | FY 99/00 Actual | FY 00/01 Actual | FY 01/02 Actual | FY 02/03 Est Actual | FY 03/04 Budget |
| **Revenues:** | | | | | | |
| Property Taxes | $ 25,144 | $ 27,934 | $ 30,473 | $ 31,516 | $ 32,500 | $ 33,153 |
| Sales & Use Taxes | 26,791 | 28,200 | 33,159 | 29,196 | 28,231 | 25,604 |
| Franchise Fees | 5,990 | 6,285 | 6,540 | 7,467 | 6,873 | 7,219 |
| Property Transfer Taxes | 1,063 | 1,062 | 1,451 | 986 | 900 | 909 |
| Business Taxes | 5,945 | 4,432 | 5,467 | 5,931 | 6,000 | 6,242 |
| Interest Income | 1,376 | 1,572 | 3,598 | 2,724 | 1,300 | 1,050 |
| Hotel/Motel Taxes | 1,677 | 3,341 | 4,340 | 2,175 | 1,900 | 1,977 |
| Vehicle License Fees | 8,880 | 9,906 | 10,917 | 11,568 | 11,450 | 12,379 |
| Paramedic Fees | 971 | 1,126 | 1,392 | 1,001 | 998 | 1,038 |
| Intergovernmental Revenues | 841 | 1,104 | 1,516 | 1,056 | 855 | 881 |
| Charges for Services | 5,563 | 6,178 | 2,753 | 2,362 | 2,884 | 2,913 |
| Fines | 1,011 | 1,198 | 1,752 | 2,161 | 2,400 | 2,472 |
| Other Revenues | 748 | 662 | 5,513 | 888 | 800 | 824 |
| **Total Revenues** | **86,000** | **93,000** | **108,871** | **99,031** | **97,091** | **96,661** |
| **Total Operating Transfers In** | 6,700 | 6,900 | 6,117 | 6,810 | 8,768 | 6,741 |
| **Resources Available: Revenues plus Operating Transfers In** | 92,700 | 99,900 | 114,988 | 105,841 | 105,859 | 103,402 |
| **Expenditures:** | | | | | | |
| General government | 9,000 | 10,000 | 9,705 | 10,775 | 10,728 | 10,322 |
| Police | 29,700 | 30,800 | 33,301 | 37,504 | 37,532 | 38,198 |
| Fire | 21,700 | 21,400 | 20,208 | 24,613 | 22,592 | 22,694 |
| Community Preservation (DES) | 400 | 500 | 545 | 645 | 709 | 649 |
| Human Services | 1,900 | 2,400 | 2,381 | 2,626 | 2,921 | 2,377 |
| Neighborhoods | 100 | 100 | 238 | 309 | 364 | - |
| Other Non-Departmental | 800 | 1,300 | 2,061 | 1,662 | 2,197 | 2,802 |
| TRANs (debt) costs | 600 | 300 | 450 | 308 | - | 150 |
| **Total Expenditures** | **64,200** | **66,800** | **68,889** | **78,442** | **77,043** | **77,192** |
| **Total Operating Transfers Out** | **26,300** | **31,475** | **32,004** | **37,357** | **32,481** | **29,638** |
| **Resources Used: (Expenditures plus Operating Transfers Out)** | **90,500** | **98,275** | **100,893** | **115,799** | **109,524** | **106,830** |
| **Net Results of Operations: (Resources Available less Resources Used)** | **2,200** | **1,625** | **14,095** | **(9,958)** | **(3,665)** | **(3,428)** |
| Transfer to Reserves | 1,100 | 725 | - | 8,596 | - | - |
| Change in Encumbrance Reserve | (300) | (144) | (1,723) | - | - | - |
| Prior Period Adjustment to Fund Balance (GASB 34) | | | | 3,895 | | |
| **Beginning Fund Balance: (Ending Fund Balance from the Prior Year)** | **9,100** | **9,900** | **10,656** | **26,923** | **8,369** | **4,704** |
| **Ending Fund Balance** | **$ 9,900** | **$ 10,656** | **$ 23,028** | **$ 8,369** | **$ 4,704** | **$ 1,276** |

# General Fund Revenues

## Overview

Total General Fund revenues (excluding transfers in) for FY 2003/04 are forecasted to be $96.7 million, which represents a $400,000 decrease from estimated actual revenues for FY 2002/03. However, FY 2002/03 revenues contained a $2.9 million one-time positive adjustment resulting from a successful sales tax appeal to the State Board of Equalization. Excluding this one-time effect, FY 2003/04 revenues are projected to increase by 2.6%.

A revenue decrease in FY 2003/04 would follow an estimated 2.3% decrease in FY 2002/03, and a 10.4% decrease in FY 2001/02 from the prior, "peak" revenue year in FY 2000/01. The timing of the revenue decline corresponds with the economic recession, and has prompted significant forecast uncertainty, given the unprecedented trend. As the graph below illustrates, the 10 years prior to FY 2001/02 saw steady revenue growth, averaging 6.2% annually.




Annual revenue declines not only affect the City's operating results for the respective years, they reduce the baseline for future revenue growth. Because of the compounding effect, the removal of $1 million from the base budget equates to the removal of approximately $6 million over the five-year forecast period. As a general trend, the revenue forecast assumes a slight decrease in revenue for FY 2003/04, with revenue growth resuming the following year, and continuing through the forecast period until growth resumes its 10-year historical average of 6.2%.

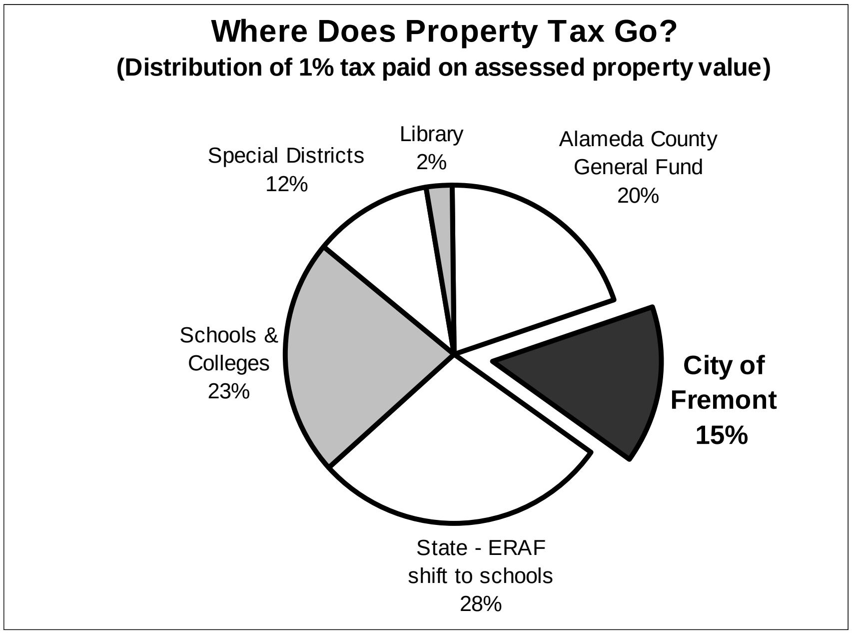
This section provides a more detailed description and forecast for the following key General Fund revenues:

- Property Tax
- Sales and Use Tax
- Vehicle License Fees (VLF)
- Franchise Fees
- Hotel/Motel Tax
- Business Tax

## Property Tax

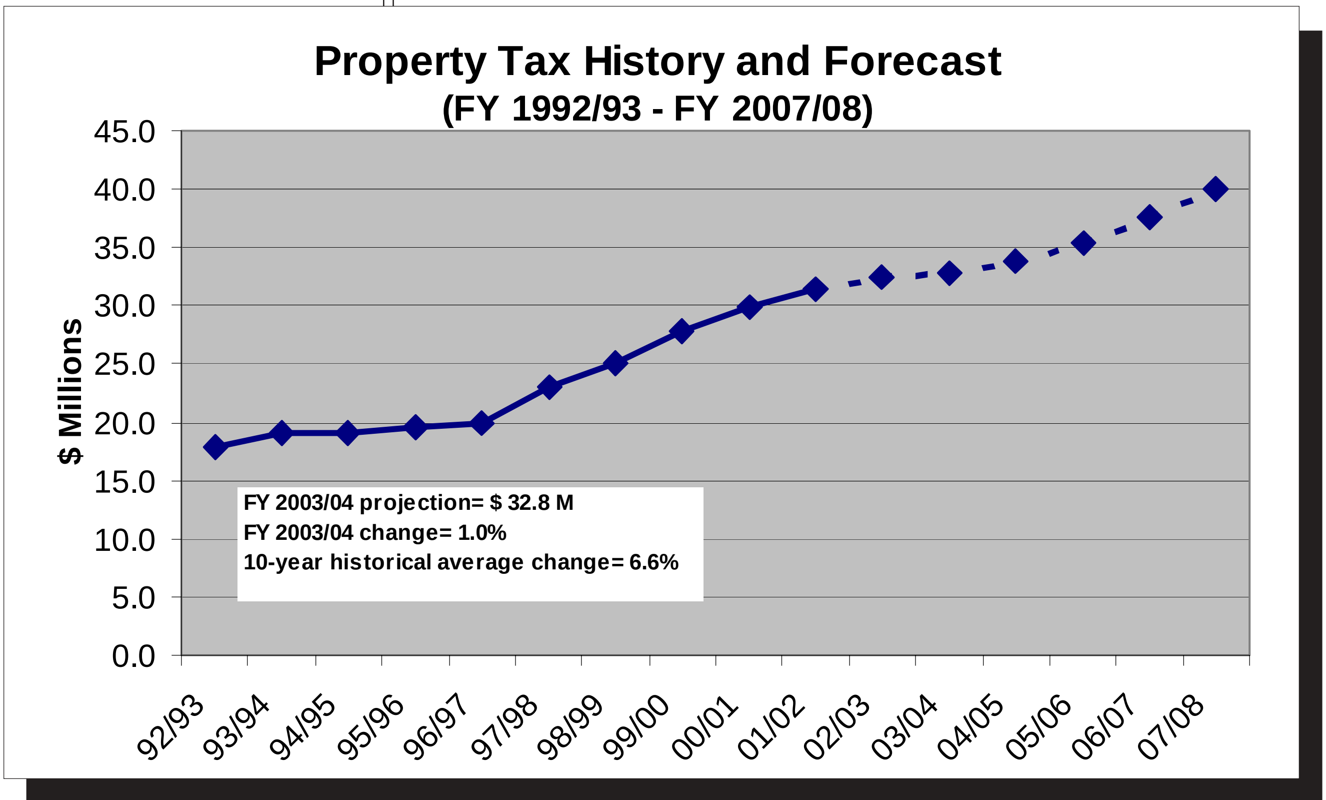
**Description:** Property tax is imposed on real property (land and permanently attached improvements such as buildings) and personal property (movable property). The amount of tax paid by property owners is based on the property's assessed value, as determined by the County Assessor. The rate is limited to 1% plus rates imposed to fund indebtedness approved by the voters. It is the City's largest revenue source, comprising approximately 34% of FY 2003/04 revenues, or $33 million.

As the graph below indicates, the City of Fremont receives 15 cents of every dollar of property tax paid. Most property tax paid is received by Alameda County and the Fremont Unified School District.

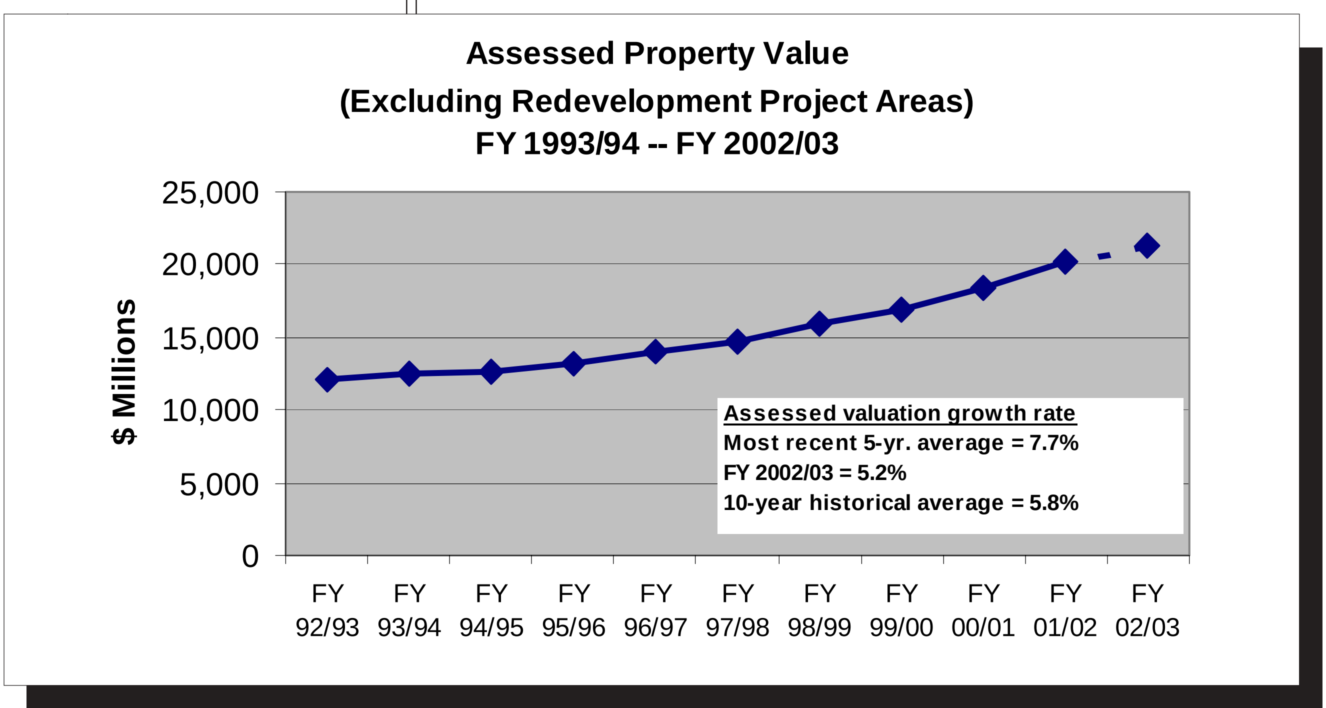



Proposition 13, passed by California voters in 1978, transferred authority over distribution of property tax to the Legislature. The shares of property tax granted by the Legislature after Proposition 13 passed reflected the historic shares of the tax levied in each city before Proposition 13 passed. The effect was to give cities that charged high taxes more revenues than cities that had held taxes down. For example, the City of Pleasanton receives a higher share of property tax paid, 25.36%, than Fremont, which receives 14.79%, because it had a higher share of the total taxes levied by all agencies in Pleasanton before 1978. If Fremont had Pleasanton's share, Fremont's property tax revenue projection for FY 2003/04 would be approximately $54 million.

**Forecast:** Property tax is projected to grow by 1% to $33.2 million in FY 2003/04. As Proposition 13 allows assessed valuation on properties that are not sold during the year to grow by up to 2% each year (based on growth in California personal income), a revenue projection of 1% is relatively conservative. In FY 2004/05, property tax is projected to grow by 3.0%. Annual growth is expected to gradually return to the 10-year historic average rate of 6.6% by FY 2006/07.

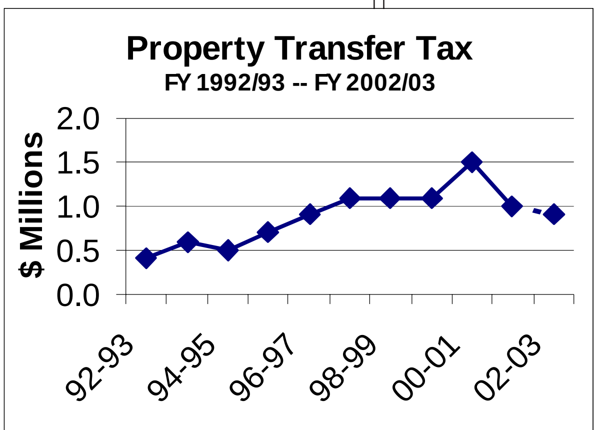


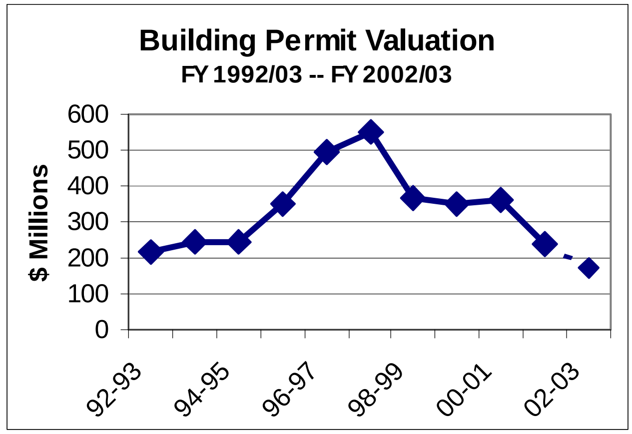

**Key Factors in the Forecast:** The most important and direct indicator of property tax revenue is the assessed value of the property subject to the tax.




The continuing strong real estate market drove Fremont's growth in assessed valuation, and resulting property tax revenue, throughout the second half of the 1990s. Assessed valuation growth remained strong for FY 2001/02, the last year for which the City has complete data, and appears to remain stable in FY 2002/03. The FY 2003/04 projection for 1% growth reflects the potential for property value reassessment. Given the recent weakness in the high technology industry, the chance for reassessment is greatest in the commercial market, but could seep into the residential category if the local economic activity drops further or stagnates.

Two other trends support a property tax revenue projection that is lower than the historical average: declining building permit valuation and property transfer tax receipts.



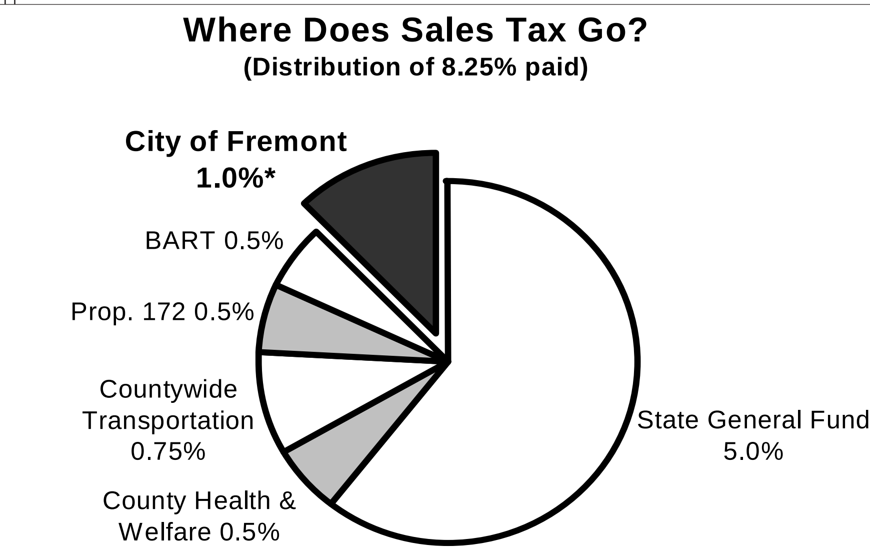

Property transfer tax is paid on real estate transactions, and is therefore an indicator of current real estate activity. Monitoring property transfer tax receipts helps offset the information lag inherent in other property tax information. Building permit valuation is a measure of real estate construction, and is therefore an indicator of future growth in property tax base. Both of these indicators reflect negative trends. Their activity affects the property tax base only at the margin, but the trends support a cautious forecast.

Delinquency trends, which increased slightly last year, affect the timing of future collections. Although nearly all delinquencies are eventually cured, the City does not receive such redemptions until after they are made.

## Sales and Use Tax

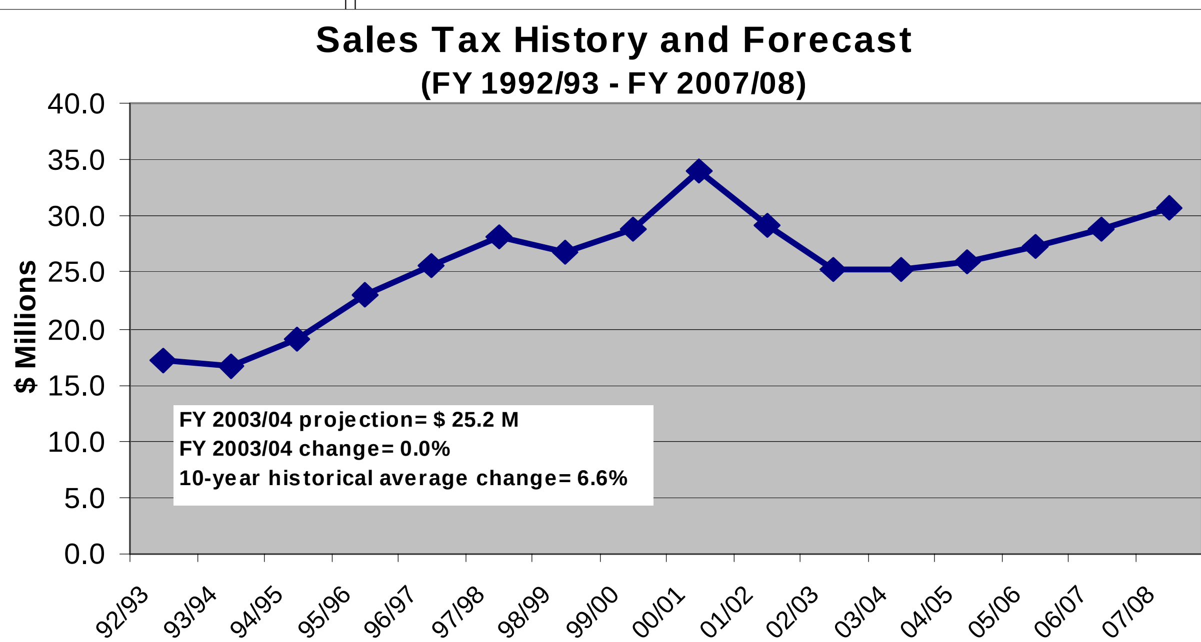
**Description:** Sales tax is collected, at a rate of 8.25%, on the sale of taxable goods purchased in Fremont. Use tax is charged to the user of taxable goods for which sales tax was not collected at the time of purchase. This tax category represents 26% of General Fund revenues.

The City receives 12% of the tax paid, which equates to approximately 1% of the price paid for the good. Most of the sales tax, approximately 61%, is allocated to the State's general fund; the remaining 27% is provided to other local and regional agencies.

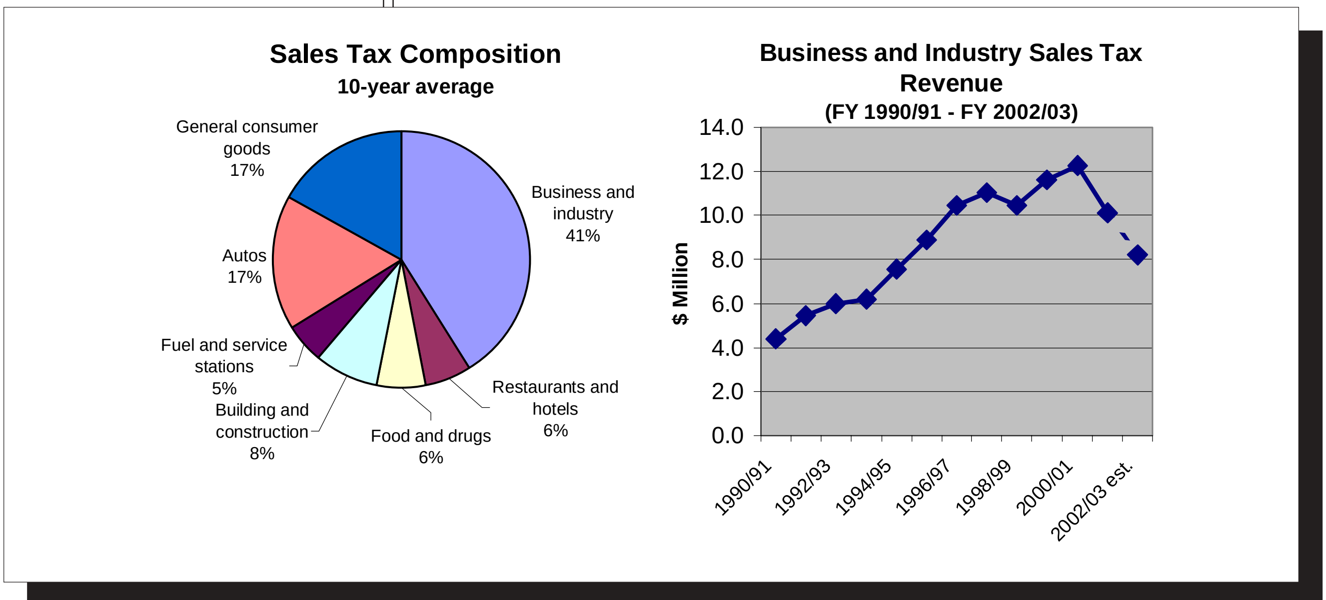



* Five percent of the City's share of sales tax, or 0.05% of the total, is received by Alameda County, making the City of Fremont's actual share 0.95%

**Forecast:** The forecast assumes no growth in sales tax for FY2003/04. It assumes that revenue will resume growth in FY 2004/05 and gradually return to the historical annual growth rate of 6% by FY 2006/07.



**Key Factors in the Forecast:** Sales tax revenues have dropped approximately 23% from the level recorded in FY 2000/01. The driving force in this decline has been high-tech business-to-business sales. The business and industry segment of our tax base, which includes most business-to-business activity, grew during the 1990s from 30% of the tax base in FY 1990/91 to 41% in FY 2000/01. It has since receded to an estimated 37% of the base for FY 2002/03. As it remains the largest segment of the sales tax pie, the City remains vulnerable to the volatility of the Silicon Valley economy.



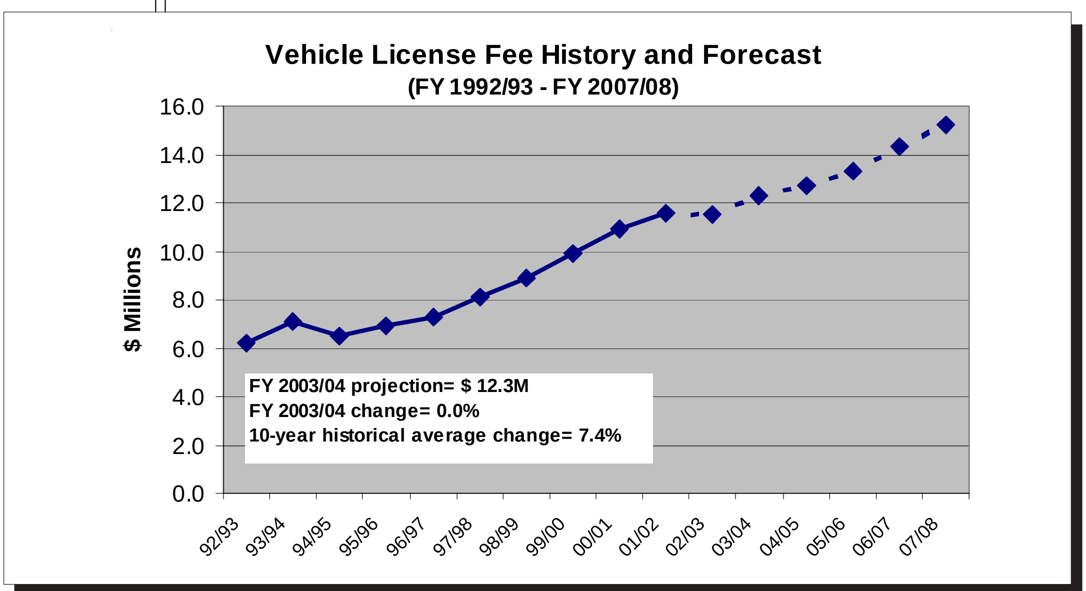

Since the peak year of FY 2000/01, revenue from this segment has decreased by one-third, or approximately $4,000,000 annually. Most retail categories have been stable. The forecast follows the overarching assumption that the economy will remain flat through FY 2003/04, and that inflation will remain low.

## Vehicle License Fees (VLF)

**Description:** A vehicle license fee is imposed on vehicles registered in California. It is administered by the State on behalf of cities and counties in lieu of other local taxes on personal property. The tax rate is 1.5% of the market value of the registered vehicle. Revenue is distributed evenly between cities and counties, then allocated to cities based on population.

VLF revenue has been dedicated to support local government for many years. In connection with its FY 1998/99 and FY 1999/00 budget adoption, the State reduced the vehicle license fee by 35% as a form of tax relief to vehicle owners. The shortfall was made up to local governments from the State's general fund. In FY 2000/01, the state reduced the VLF by an additional 32.5%, for a total of 67.5%. The VLF received by the City is subject to a severe reduction if the State were to reduce or eliminate the amount it transfers to local governments as a substitute for the reduced portion of the tax (often referred to as "backfill") without reinstating the tax to its prior level.

**Forecast**: This budget assumes that the State will either continue to cover the reduction in vehicle license fees through a backfill, or reinstate the tax to its prior level. This approach is consistent with all of the public pronouncements of the Governor and legislative leaders. Because of the uncertainty about this revenue source and the slowing of new vehicle sales, the forecast assumes no growth in FY 2003/04, followed by moderate growth for the next two years, before reaching historical average growth of 7% in FY 2006/07 and beyond.

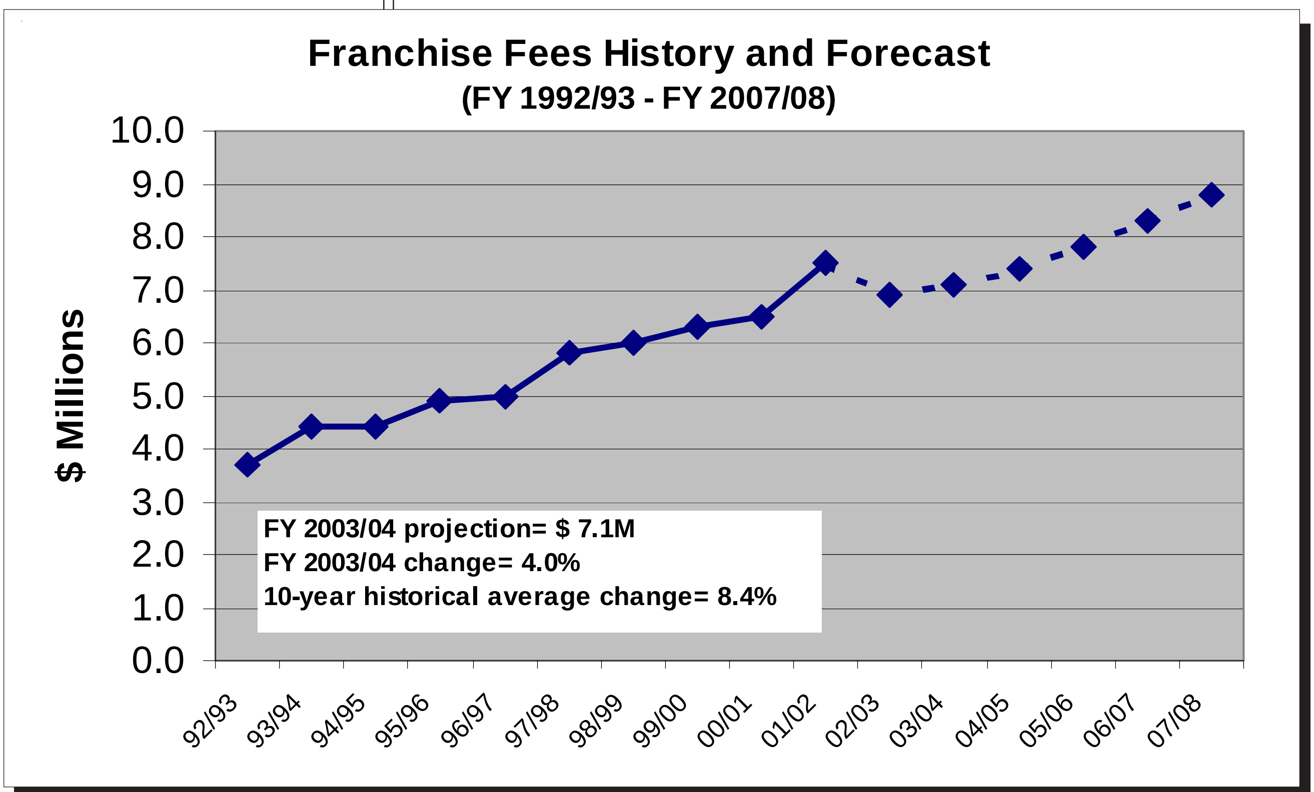



**Key Factors in the Forecast:** Strong auto sales and consistent population growth have fueled the growth in this revenue source for several years. Recently, there has been a general slowdown in new auto sales. Because the most recent State budget balancing proposals do not include reductions in the VLF backfill, we have not included the impact of such actions in the forecast.

## Franchise Fees

**Description:** State statutes provide cities with the authority to impose fees on privately owned utility and other companies for the privilege of using city-owned rights-of-way. The City receives franchise fees from the electric and gas utility, the solid waste franchise collector, and the local cable provider. The franchise fee is negotiated between the City and the utility. It is calculated as a percentage of gross receipts for utility services delivered within the City.

**Forecast:** Following a projected decline of 8% in FY 2002/03, primarily due to falling natural gas prices and the recent FCC decision that led to exclusion of cable modem charges from franchise fee calculations. The budget assumes minimal growth in franchise fees in FY 2003/04, followed by a steady increase back to the adjusted historical level of 6%, adjusted for one-time effects, in FY 2006/07.

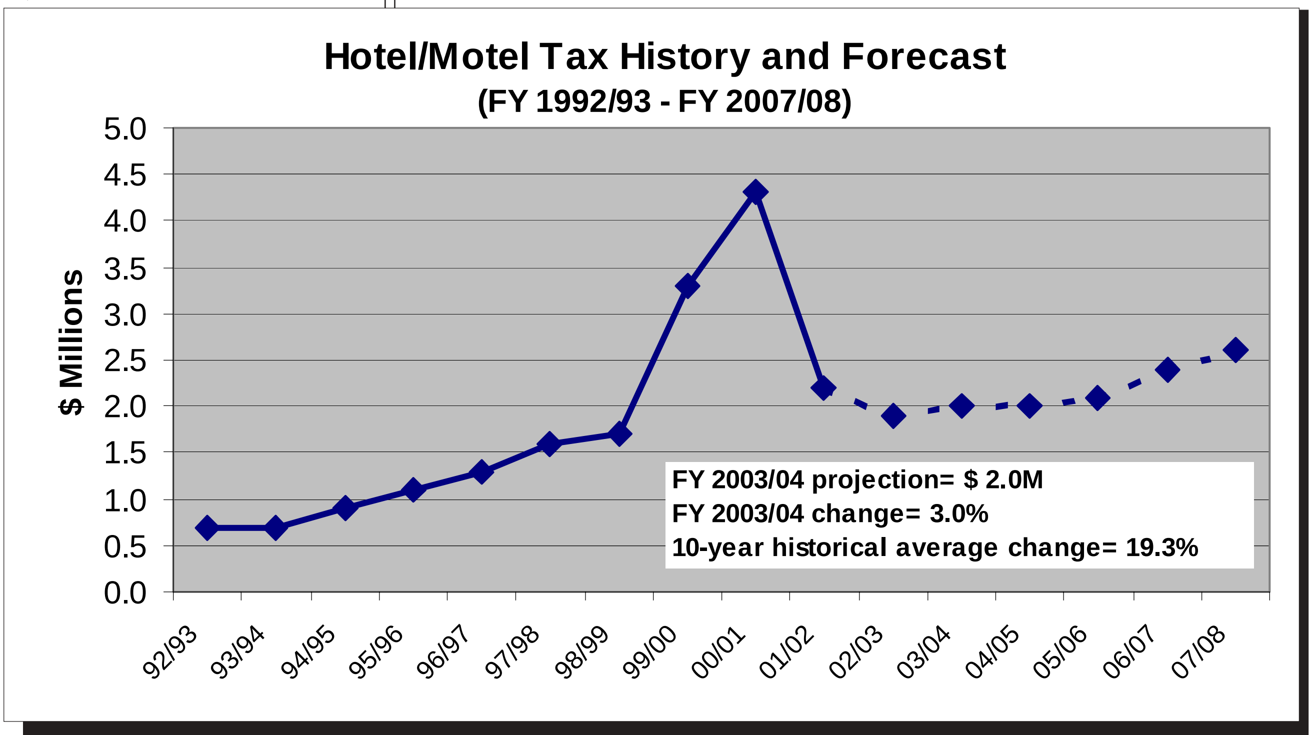



**Key Factors in the Forecast:** Revenue growth is not projected to reach the actual 10-year average level of 8.4% because effects of the technology industry boom and the energy crisis of 2001 are significant factors in the 8.4% average. A late-forecast growth factor of 6% more closely resembles annual revenue growth rates before the boom period, and is therefore a more likely assumption for the future.

## Hotel/Motel Tax

**Description:** Hotel/Motel tax is charged on hotel and motel room occupancies of fewer than 31 days. It is paid by hotel and motel customers in addition to the room rate. The tax rate is 8% of the room rate in Fremont, which is less than most neighboring cities' tax rates of 10%-12%.

**Forecast:** The FY 2003/04 budget assumes slow growth (3%) for the first two years, transitioning to stronger growth (10%) by the final two years of the forecast.

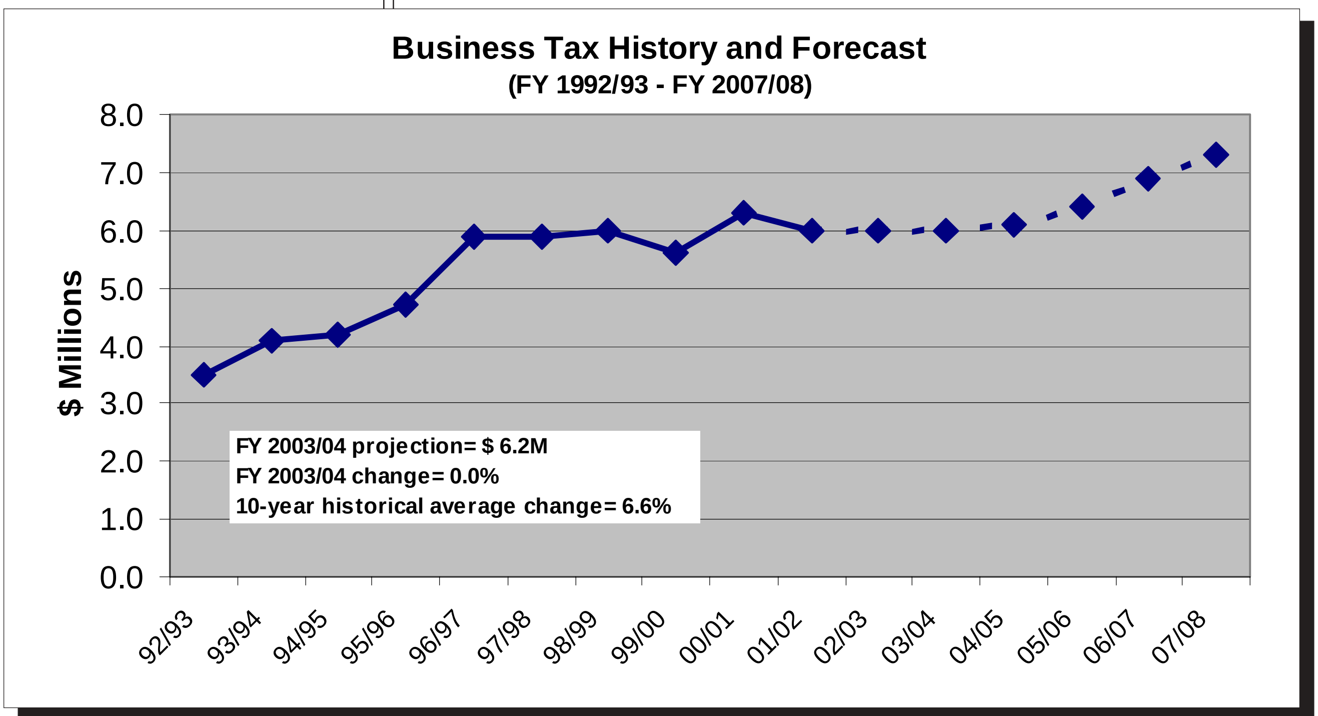



**Key Factors in the Forecast:** Hotel/motel tax revenue has declined 49% and 14% over the past two years, respectively. This drop erased the extremely strong growth in the prior two years, which was fueled by both a 55% increase in rooms and high demand that drove up rates. The travel industry has been devastated since the fall of 2001, and the business travel on which many of the City's hotels and motels depend has dropped dramatically. We believe the return back to the levels of two years ago will be very slow. Many hotels in the area are struggling financially and will be challenged to successfully weather this extended downturn.

## Business Tax

**Description:** Business taxes are paid by individuals and entities for the privilege of conducting business in Fremont. The tax rate varies depending upon the type and size of the business and is based either on gross receipts or payroll.

**Forecast:** Business tax revenue is projected to be at the same level in FY 2003/04 as it was in FY 2002/03, after which time moderate growth is expected until reaching levels consistent with the historical average growth rate of 6.6% in FY 2006/07.




**Key Factors in the Forecast:** This revenue source has remained relatively steady so far in the economic downturn, due to the increasing number of home businesses and successful City compliance efforts. Because a substantial portion of these revenues is based on activity from several months prior, the continued strength of this source could be challenged if the economic downturn is protracted.

# General Fund

The General Fund is the City's primary operating fund. It accounts for the financial resources and outlays of the general government, excluding several cost centers. The fund receives the City's discretionary funding sources (e.g., property tax, sales tax, franchise fees, Vehicle License Fee, etc.) and uses its resources for the general operations of the City (e.g., police, fire, maintenance, and general government) not accounted for in other funds.

The General Fund maintains three reserves:

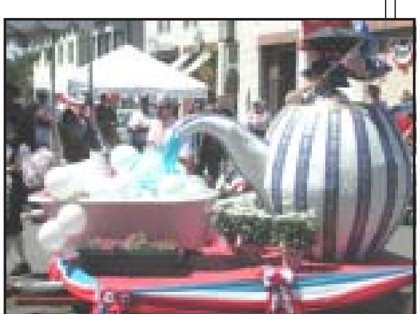
- Contingency Reserve: Established to help mitigate the economic effects of natural disasters and other severe unforeseen events.

- Program Investment Reserve: Established to provide a source of working capital for new programs or enterprises that have the potential for costs to be covered by outside sources.

- Budget Uncertainty Reserve: Available to make up the short-term revenue shortfalls without necessitating immediate budget reductions. Additionally, it helps to offset the risks to the City posed by the State budget crisis, and unavoidable cost increases.

The following schedule begins with the estimated fund balance in the General Fund and General Fund reserves as of June 30, 2003. It then presents the revenues and operating transfers in activity projected for FY 2003/04, followed by the uses of resources proposed in this FY 2003/04 operating budget. The schedule concludes with the estimated ending fund and reserve balances as of June 30, 2004 that result from the projected activity and proposed use of resources.


*Fourth of July Parade in the Niles District*



## General Fund

| (Thousands of Dollars) | General Fund | Contingency Reserve | Program Investment Reserve | Budget Uncertainty Reserve | Eliminating Internal Transfers | **Total General Fund** |
|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/03 (est.)** | **$ 4,704** | **$ 14,761** | **$ 2,952** | **$ 6,200** | **$ -** | **$ 28,617** |
| **Revenues:** | | | | | | |
| Property Taxes | 33,153 | - | - | - | - | 33,153 |
| Sales & Use Taxes | 25,604 | - | - | - | - | 25,604 |
| Franchise Fees | 7,219 | - | - | - | - | 7,219 |
| Property Transfer Taxes | 909 | - | - | - | - | 909 |
| Business Taxes | 6,242 | - | - | - | - | 6,242 |
| Interest Income | 1,050 | - | - | - | - | 1,050 |
| Hotel/Motel Taxes | 1,977 | - | - | - | - | 1,977 |
| Vehicle License Fees | 12,379 | - | - | - | - | 12,379 |
| Paramedic Fees | 1,038 | - | - | - | - | 1,038 |
| Intergovernmental Revenues | 881 | - | - | - | - | 881 |
| Charges for Services | 2,913 | - | - | - | - | 2,913 |
| Fines | 2,472 | - | - | - | - | 2,472 |
| Sale of Bonds | - | - | - | - | - | - |
| Other Revenues | 824 | - | - | - | - | 824 |
| **Total Revenues** | **96,661** | **-** | **-** | **-** | **-** | **96,661** |
| Operating Transfers In | 6,741 | - | - | 1,706 | (1,706) | 6,741 |
| **Total Available Resources** | **108,106** | **14,761** | **2,952** | **7,906** | **(1,706)** | **132,019** |
| **Expenditures** | | | | | | - |
| General Government | 10,322 | - | - | - | - | 10,322 |
| Public Safety: | | | | | | - |
| Police | 38,198 | - | - | - | - | 38,198 |
| Fire | 22,694 | - | - | - | - | 22,694 |
| Development and Environmental Services: | | | | | | - |
| Planning | - | - | - | - | - | - |
| Building & Safety | - | - | - | - | - | - |
| Engineering | - | - | - | - | - | - |
| Community Preservation | 649 | - | - | - | - | 649 |
| Environmental Services | - | - | - | - | - | - |
| Human Services | 2,377 | - | - | - | - | 2,377 |
| Maintenance (2) | - | - | - | - | - | - |
| Recreation (3) | - | - | - | - | - | - |
| Neighborhoods | - | - | - | - | - | - |
| Non-departmental | 2,802 | - | - | - | - | 2,802 |
| TRANS Debt costs | 150 | - | - | - | - | 150 |
| **Total Expenditures** | **77,192** | **-** | **-** | **-** | **-** | **77,192** |
| Operating Transfers Out (4) | 29,638 | - | - | - | - | 29,638 |
| Transfers to Reserves | - | 1,422 | 284 | - | (1,706) | - |
| **Total Use of Resources** | **106,830** | **1,422** | **284** | **-** | **(1,706)** | **106,830** |
| **Fund Balance - 6/30/04 (est.)** | **$ 1,276** | **$ 13,339** | **$ 2,668** | **$ 7,906** | **$ -** | **$ 25,189** |

NOTE: The only General Fund costs displayed in this chart for Development and Environmental Services are for Community Preservation. Other department costs are displayed in the Other Funds section of this document. 2) Maintenance activities are funded in the Integrated Capital Assets Plan and can be found in the Capital Funds section of this document. 3) Recreation activities are funded in the Recreation Cost Center with a combination of General Fund and fee revenues. Department costs can be found in the Cost Center/Internal Service section of this document. 4) Detail of the Operating Transfers In and Operating Transfers Out can be found in the Five-Year Forecast section of the document.

# Major General Fund Changes

The General Fund has been subject to continuous, ongoing budget review since the economic downturn began. The adopted budget for FY 2002/03 was actually $2.3 million less than the FY 2001/02 adjusted budget. The FY 2002/03 budget was adopted with the assumption that the economy would begin to recover during the summer of 2002. By September 2002, when the City closed the books on FY 2001/02 and received final revenue information for the prior fiscal year, it became apparent that the economy had worsened, and that the promised recovery was continuing to slip farther into the future. Based on this news, at the first quarter budget review in November 2002, the City Council approved expenditure reductions for FY 2002/03 totaling $10 million.

To more easily compare FY 2002/03 and FY 2003/04 spending levels, adjustments to the FY 2002/03 adopted budget must be made. This section of the budget document describes these adjustments and compares the FY 2002/03 adjusted budget with the FY 2003/04 adpopted budget.

## FY 2002/03 Adjusted Budget

The following table outlines the adjustments to the FY 2002/03 budget that were made to effectively compare FY 2003/04 adopted spending levels with those of the prior year.

**ADOPTED AND ADJUSTED FY 2002/03 BUDGETS AND ADOPTED FY 2003/04 BUDGET ($ in millions)**

| | | Adjustments | | | | Comparison | | |
|---|---|---|---|---|---|---|---|---|
| | Adopted Budget FY 2002/03 | November Budget Reduction | Other Adjustments | Adjusted Budget FY 2002/03 | Estimated Actual FY 2002/03 | Adopted Budget FY 2003/04 | Changes In Amount | Changes In Percentage |
| General Government | $ 12.4 | $ (1.3) | $ 0.6 | $ 11.7 | $ 10.7 | $ 10.3 | $ (1.4) | -12.0% |
| Police | 40.1 | (2.4) | 1.4 | 39.1 | 37.5 | 38.2 | (0.9) | -2.3% |
| Fire | 23.9 | (0.9) | 0.2 | 23.2 | 22.6 | 22.7 | (0.5) | -2.2% |
| Community Preservation | 0.7 | 0.0 | 0.0 | 0.7 | 0.7 | 0.6 | (0.1) | -14.3% |
| Human Services | 2.9 | (0.2) | 0.2 | 2.9 | 2.9 | 2.4 | (0.5) | -17.2% |
| Neighborhoods | 0.4 | 0.0 | 0.0 | 0.4 | 0.4 | - | (0.4) | -100.0% |
| Non-Departmental | 2.7 | 0.0 | (0.5) | 2.2 | 2.2 | 2.8 | 0.6 | 27.3% |
| Debt Cost | 0.4 | 0.0 | 0.0 | 0.4 | - | 0.2 | (0.2) | -50.0% |
| **Total Expenditures** | **83.5** | **(4.8)** | **1.9** | **80.6** | **77.0** | **77.2** | **(3.4)** | -4.2% |
| | | | | | | | | |
| Maintenance | 21.1 | (2.4) | 1.0 | 19.7 | 19.7 | 17.3 | (2.4) | -12.2% |
| CIP/ICAP | 4.0 | (2.0) | 0.0 | 2.0 | 2.0 | 1.0 | (1.0) | -50.0% |
| Debt Service | 5.6 | 0.0 | 0.0 | 5.6 | 4.8 | 6.5 | 0.9 | 16.1% |
| Development Cost Center | 2.9 | (0.4) | 0.0 | 2.5 | 2.6 | 2.2 | (0.3) | -12.0% |
| Recreation Cost Center | 3.3 | (0.3) | 0.0 | 3.0 | 3.0 | 2.3 | (0.7) | -23.3% |
| Senior Center Cost Center | 0.3 | (0.1) | 0.0 | 0.2 | 0.3 | 0.2 | 0.0 | 0.0 |
| Other | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| **Total Operating Transfers Out** | **37.3** | **(5.2)** | **1.0** | **33.1** | **32.5** | **29.6** | **(3.5)** | -10.6% |
| | | | | | | | | |
| Transfer to Reserves | 0.4 | 0.0 | (0.4) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | |
| **Total Use of Resources** | **$ 121.2** | **$ (10.0)** | **$ 2.5** | **$ 113.7** | **$ 109.5** | **$ 106.8** | **$ (6.9)** | **-6.1%** |

As the table suggests, the net effect of the $10 million in budget reductions approved by the City Council in November and the $2.5 million in other adjustments described below is a $7.5 million reduction of the adopted FY 2002/03 budget, for an adjusted FY 2002/03 budget of $113.7 million. Based on the excellent work by City departments to save money, combined with aggressive management of vacant positions, it appears that the estimated actual spending for FY 2002/03 will be $109.5 million – a savings of an additional $4.2 million. These additional savings will be very important for the future because they increase fund balance and give the City a bit more time to transition to a lower, revenue-based spending level.

The $106.8 million adopted budget for FY 2003/04 is $14.4 million less than the adopted FY 2002/03 budget. Because the FY 2003/04 budget includes contractual increases for personnel-related costs and inflation on goods and services, the budget is $22 million less than what it would have been if service levels adopted in the FY 2002/03 budget had been maintained.

Because a variety of budget adjustments have been made since Council first took action in November 2002, it is more meaningful to compare the adopted FY 2003/04 budget to the adjusted FY 2002/03 budget, and to the estimated actual results for FY 2002/03. This comparison shows that the adopted FY 2003/04 budget is $6.9 million less than the adjusted FY 2002/03 budget of $113.7, and $2.7 million less than what is estimated to actually be spent in FY 2002/03. The FY 2003/04 budget does not merely reflect slower than originally estimated growth in spending – it reflects real cuts in spending on important community programs and services.

The more significant of the other adjustments for FY 2002/03 are as follows:

- **FY 2001/02 encumbrances - $300,000:** Each year, departments may obligate funds for expenses yet to occur, such as when a purchase order has been issued but the related goods or services have not yet been received. This is a budget management tool designed to ensure that available funds are not inadvertently overcommitted. The encumbrances are removed and the expenditures recorded when the obligations are paid. The FY 2002/03 adjusted budget contains $300,000 encumbered from the prior year.

- **Use of carry-forward savings - $300,000:** In the past, pursuant to City Council Expenditure Control Budget policy and authority delegated to the City Manager, departmental adjusted budgets incorporated budget transfers based on requests to use funds carried forward from prior years. When the effects of the economic downturn became evident, the Expenditure Control Budget policy was suspended. However, prior to that suspension, the Police Department was granted authority to use $300,000 of its carry-forward savings to meet various operational needs. The balance of carry-forward savings throughout the City has been returned to the General Fund for use in assisting in the transition to a lower revenue base.

- **Accrued leave cash-out - $700,000:** Because of a change in the accounting rules with the City's implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, the City no longer records a liability for accrued leave as it is earned by employees. Instead, the actual amount of expense is recorded when the leave is either used or cashed out (for example, when employees terminate their employment with the City). Because of the lay-offs that occurred in the fourth quarter of the fiscal year and the higher levels of retirements and voluntary separations than originally anticipated, the City increased the amount set aside for cash-out of accrued leave by $700,000.

The balance of the adjustments of $1.2 million are a variety of refinements and technical corrections of estimates included in the adopted FY 2002/03 budget, based on better information obtained after budget adoption. The largest of these adjustments is $700,000 for potential unexpected cost increases for electricity during FY 2002/03.

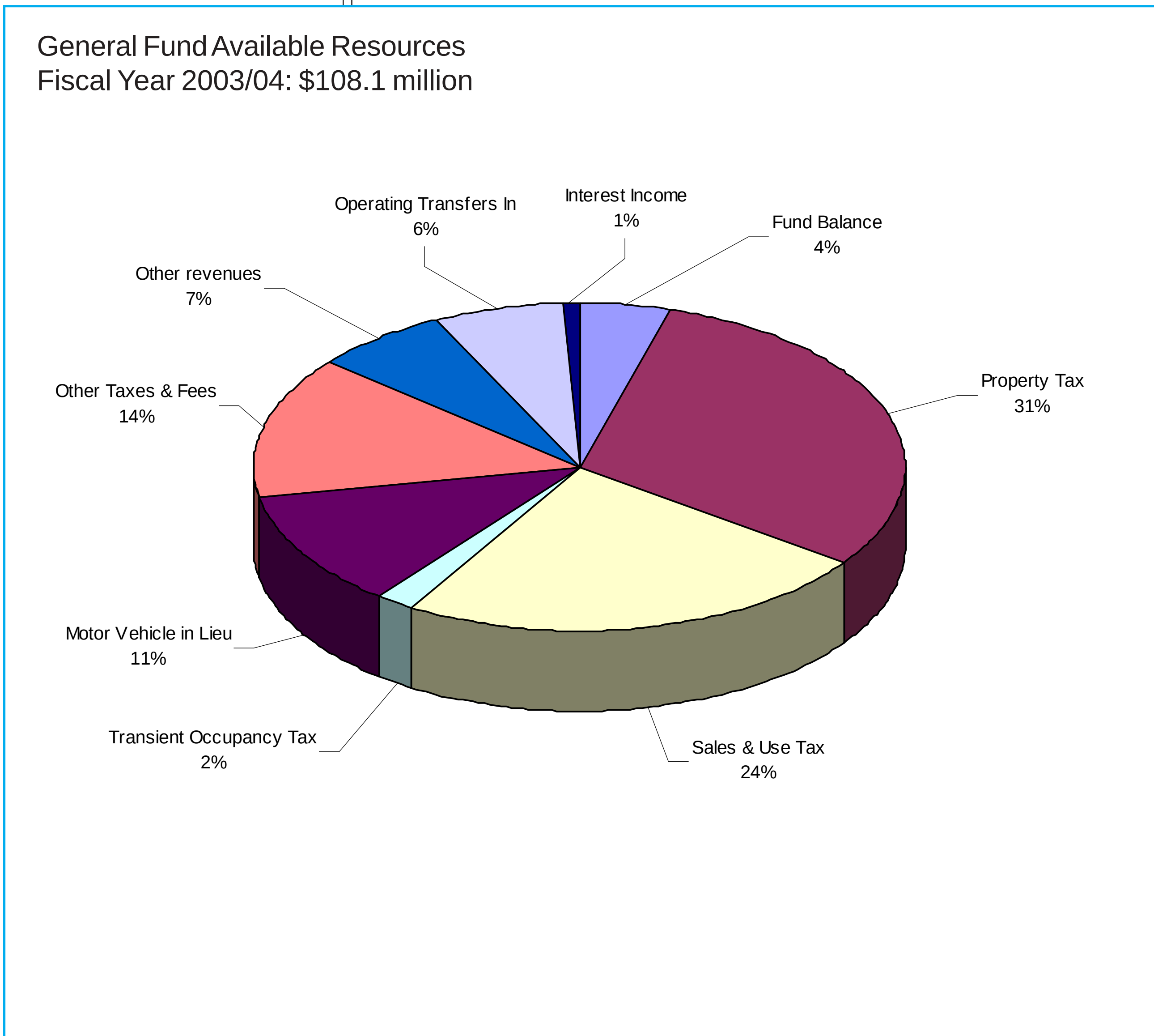
## Change in Total General Fund Budget

To summarize, the FY 2003/04 adopted budget is $6.9 million less than the FY 2002/03 adjusted budget for two reasons:

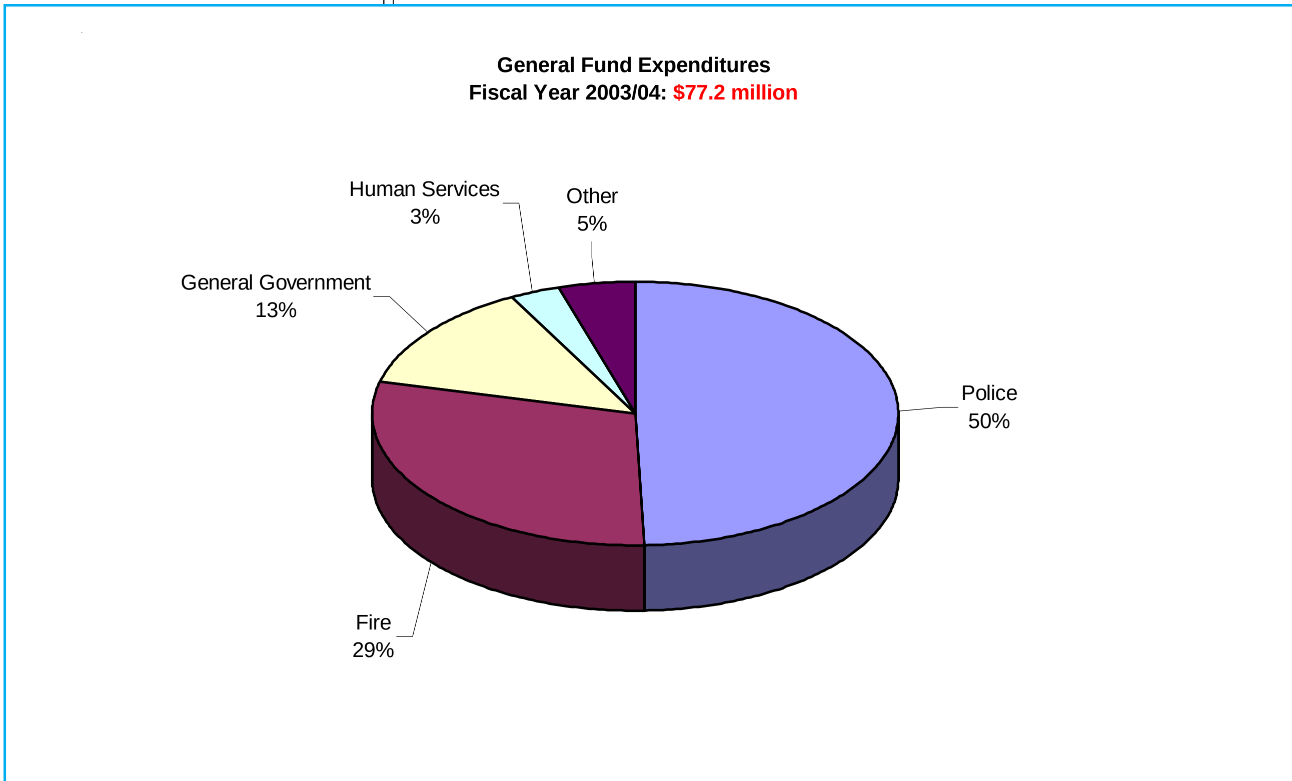
1. **Department budgets are decreasing by $3.4 million, or 4.2%, as compared to the FY 2002/03 adjusted budget level.** Considering normal cost increases for employee salaries and benefits, this is a significant real reduction in spending levels.

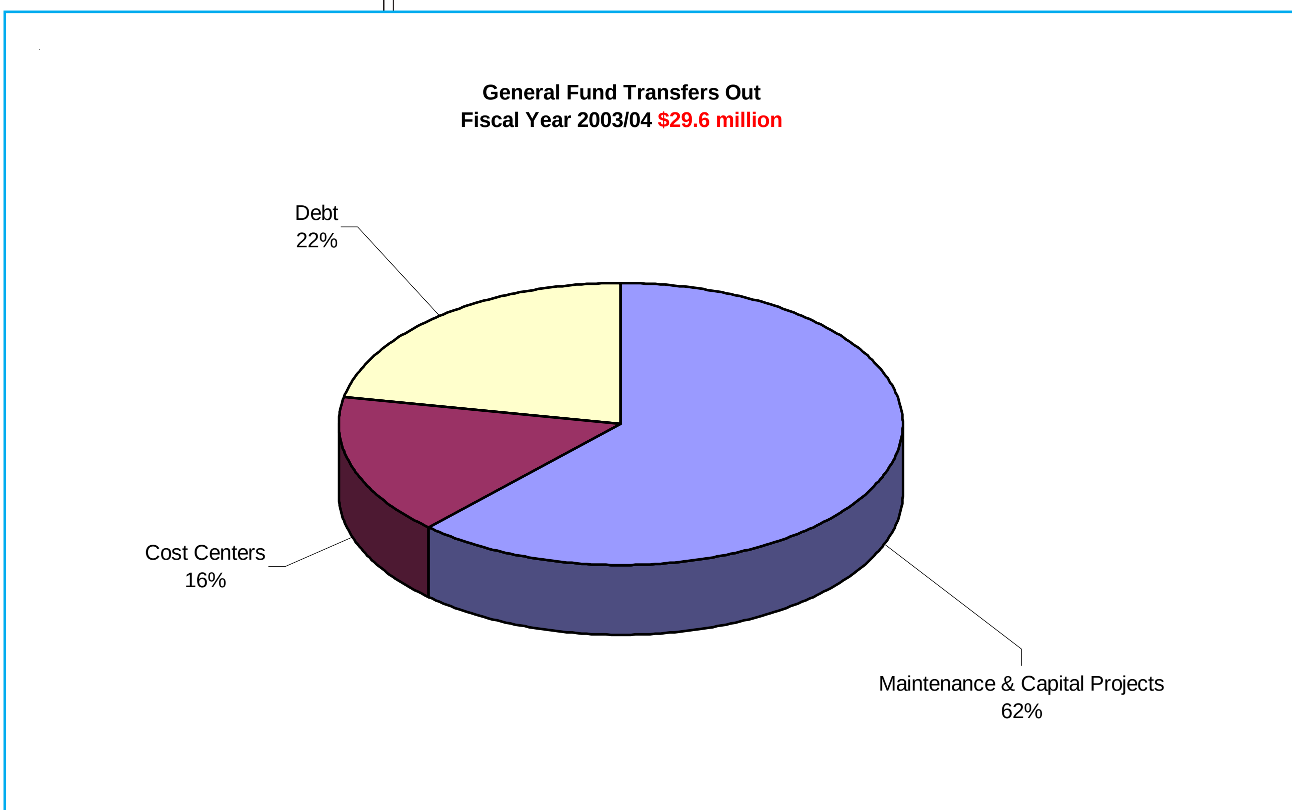
2. **Operating transfers out of the General Fund are decreasing by $3.5 million (10.6%).** The most significant component of this decrease is a reduced General Fund contribution for maintenance activities. This decreased General Fund contribution is partially offset by increased funding for maintenance from Integrated Waste Management fees and increased support from Gas Tax funds.

# General Fund Operating Resources



# General Fund Allocation of Resources



# Non-Departmental Budget

Appropriations of the General Fund not directly associated with specific departments are classified as "nondepartmental." Several expenditure items are included, as well as certain types of anticipated general savings that are not identified with or allocated to individual departments.

| Expenditure Items | |
|---|---|
| • Annual Operating Contingency Account | $1,250,000 |
| • Employee leave pay-out | 675,000 |
| • Tuition reimbursement | 25,000 |
| • Property tax administration fee and revenue audit fees | 415,000 |
| • Elections | 100,000 |
| • Other non-departmental | 337,000 |
| **Non-Departmental Budget** | **$2,802,000** |

# Cost Centers & Internal Service Funds

The City uses cost centers to account for City activities that are fee based. These funds receive revenues from outside users as well as internal City projects. The cost centers are intended to maintain carryover fund balances from year to year.

The City uses internal service funds to account for services that are provided to the City's operating departments.

## Development Services Cost Center

Three operations comprise the Development Services Cost Center: Planning, Building and Safety, and Engineering. These operations were separated from other General Fund operations so that expenditures can be more closely tracked against revenues. Development Services receives revenues from three primary sources:

- Development Permits and Charges for Services
- Capital Projects and Special Revenues
- General Fund

The Development Cost Center pays an overhead rate to the General Fund for its share of internal services provided.

## Recreation Cost Center

This cost center accounts for the revenues and expenses associated with the various classes, programs, and activities administered by the Recreation Services Division of the Maintenance and Recreation Services Department. The General Fund of the City makes a contribution to this cost center, which is shown on the "Transfers In" line of the chart on the following page.

## Senior Center Cost Center

This cost center accounts for revenues and expenditures for programs administered by the Senior Center.

## Risk Management Internal Service Fund

This fund accounts for the City's uninsured risks of loss from vehicle and property damage, earthquakes and floods, workers' compensation, general liability, and unemployment claims. Administrative costs, including coverage through the City's membership in the California Joint Powers Risk Management Authority, are also accounted for in this fund. Resources for this fund are provided by charges to the departments and cost centers.

## Information Systems Internal Service Fund

This fund accounts for the City's information systems support and technology activity. Resources for this fund are generated by charges to the departments and cost centers that receive these services.

## Cost Centers/Internal Service

| (Thousands of Dollars) | Development Cost Center | Recreation Cost Center | Senior Center | Internal Service: Risk Management | Internal Service: Information Systems | Internal Service Reclass* | Total Proprietary |
|---|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/03 (est.)** | **$ 3,046** | **$ 5,899** | **$ 234** | **$ 1,523** | **$ 553** | **$ -** | **$ 11,255** |
| **Revenues** | | | | | | | |
| Property Taxes | - | - | - | - | - | - | - |
| Sales & Use Taxes | - | - | - | - | - | - | - |
| Franchise Fees | - | - | - | - | - | - | - |
| Property Transfer Taxes | - | - | - | - | - | - | - |
| Business Taxes | - | - | - | - | - | - | - |
| Interest Income | 163 | 250 | - | 165 | 3 | - | 581 |
| Hotel/Motel Taxes | - | - | - | - | - | - | - |
| Vehicle License Fees | - | - | - | - | - | - | - |
| Paramedic Fees | - | - | - | - | - | - | - |
| Intergovernmental Revenues | - | - | - | - | - | - | - |
| Charges for Services | 11,434 | 3,745 | 212 | 4,443 | 3,483 | (7,926) | 15,391 |
| Fines | - | - | 43 | - | - | - | 43 |
| Sale of Bonds | - | - | - | - | - | - | - |
| Other Revenues | - | 82 | - | 60 | 15 | - | 157 |
| **Total Revenues** | **11,597** | **4,077** | **255** | **4,668** | **3,501** | **(7,926)** | **16,172** |
| Operating Transfers In | 2,191 | 2,331 | 245 | - | - | - | 4,767 |
| **Total Available Resources** | **16,834** | **12,307** | **734** | **6,191** | **4,054** | **(7,926)** | **32,194** |
| **Expenditures** | | | | | | | |
| General Government | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | |
| Police | - | - | - | - | - | - | - |
| Fire | - | - | - | - | - | - | - |
| Development & Environmental Services: | | | | | | | |
| Planning | 2,577 | - | - | - | - | - | 2,577 |
| Building & Safety | 3,902 | - | - | - | - | - | 3,902 |
| Engineering | 6,327 | - | - | - | - | - | 6,327 |
| Community Preservation | - | - | - | - | - | - | - |
| Environmental Services | - | - | - | - | - | - | - |
| Human Services | - | - | 574 | - | - | - | 574 |
| Maintenance | - | - | - | - | - | - | - |
| Recreation | - | 5,622 | - | - | - | - | 5,622 |
| Neighborhoods | - | - | - | - | - | - | - |
| Non-departmental | - | - | - | 5,882 | 3,306 | (7,926) | 1,262 |
| Debt costs | - | - | - | - | - | - | - |
| **Total Expenditures** | **12,806** | **5,622** | **574** | **5,882** | **3,306** | **(7,926)** | **20,264** |
| Operating Transfers Out | 1,582 | 710 | 8 | - | 492 | - | 2,792 |
| **Total Use of Resources** | **14,388** | **6,332** | **582** | **5,882** | **3,798** | **(7,926)** | **23,056** |
| **Fund Balance - 6/30/04 (est.)** | **$ 2,446** | **$ 5,975** | **$ 152** | **$ 309** | **$ 256** | **$ -** | **$ 9,138** |

*** NOTE:** The "Charges for Services" and "Non Departmental Expenditures" in the Risk Management and Information Systems Funds have been reclassed and are not part of the Proprietary Funds total because these amounts are included in other departments' budgets.

# Special Revenue Funds

Special revenue funds account for activities funded by special purpose revenues. Many of these funds have grant-based revenues, which must be spent according to specific restrictions. Most of the federal, State and County grants the City administers are included in this group.

## Human Services

### Grants

The City receives grants from a number of different sources for human service activities:

- Alameda County and Union City: grants to provide services to elders in Fremont and the Tri-City area.
- Alameda County: Youth Counseling Program funds for Youth and Family Counseling (allocated by the State Council for Criminal Justice Planning).
- Alameda County: Department of Behavioral Health funds to support a multi-disciplinary team approach to family support at the Fremont Family Resource Center.
- Proposition 10 (tobacco taxes): monies allocated by the County to support early childhood programs in Youth and Family Services .
- Tri-Cities Elders Coalition: funding raised for senior programs.
- State Department on Aging: funds for the Multipurpose Senior Services Program (funded by the State using State and federal dollars) to provide services aimed at allowing frail elders to remain in their homes.

### Paratransit Program

- This fund accounts for the monies used to fund the City's paratransit program. Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related activities such as the paratransit program.

### Family Resource Center Fund

- This fund accounts for the revenues and expenses associated with the Fremont Family Resource Center (FRC). Rental payments by the various tenants of the FRC fund the salaries and benefits of the FRC administrator, and operating and capital expenditures at that facility. This fund also includes grants from private foundations to support programs at the FRC.

### CDBG / HOME

- Community Development Block Grant - This fund accounts for the City's allocation of federal Community Development Block Grant (CDBG) funds received from the U. S. Department of Housing and Urban Development for the purpose of developing viable urban communities. Through the CDBG Program, the City receives an annual entitlement grant to address certain housing and community development needs. Federal regulations require that at least 70% of the City's CDBG grant must directly benefit low and moderate income households, with each community tailoring its program to address specific local needs.
- HOME Grant – This fund accounts for monies received under the HOME Investment Partnership Act. HOME funds can be used to acquire, rehabilitate, finance and construct affordable housing.
- Multi-Family Housing Bonds - This fund accounts for tax-exempt multi-family housing bonds monitoring fees paid to the City.

## Police

- Southern Alameda County Narcotics Enforcement Team (SACNET) - This fund accounts for the proceeds of assets forfeited as the result of drug activities and contributions from the cities of Fremont, Newark and Union City. The City of Fremont's contribution comes from the General Fund and is displayed as a "Transfer Out" on page 76.
- AB3229 - COPS Front Line Enforcement - These funds account for monies distributed by the County to be spent on front line law enforcement activities, including anti-gang and community crime prevention programs.
- Local Law Enforcement Block Grant - This fund accounts for monies received from the federal government and expended for criminal justice, crime or substance abuse prevention and treatment programs.
- Abandoned Vehicle Abatement - This fund accounts for monies received by the City under California Vehicle Code (CVC) Sections 9250.7 and 22710 and used for the abatement, removal and disposal as public nuisances of any abandoned, wrecked, dismantled or inoperative vehicles from private or public property.
- State Office of Traffic Safety Grant - This fund accounts for monies received from the State to provide funding for aggressive traffic enforcement and public relations for a county-wide compaign against drinking drivers.

## Environmental Services

- Integrated Waste Management - This fund accounts for monies received by the City from solid waste collection rates and used to comply with the provisions of AB 939 for the purpose of carrying out recycling, household hazardous waste and solid waste management programs. The current fund balance serves three purposes: (1) to support rate stabilization, (2) to implement interim garbage disposal measures in the event that the landfill closes before a new transfer station is operational, and (3) to cover costs associated with landfill closure.
- Urban Runoff Clean Water Program - This fund accounts for monies received to comply with the Federal Clean Water Act of 1987, which requires that storm water discharges from municipal storm drain systems be regulated under a nationwide surface water permit program. In order to obtain a permit, the City must implement programs to evaluate sources of pollutants in urban storm drain runoff, estimate pollutant loads, evaluate control measures, and implement a program of pollution controls.

## Special Revenue Funds

| | Human Services | | | | | Public | Environmental | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | CDBG/ | Multi-Family | Safety | Services | Special |
| **(Thousands of Dollars)** | Grants | Paratransit | FRC | HOME | Housing | **Grants** | **Funds** | **Revenues** |
| **Fund Balance - 6/30/03 (est.)** | **$ 239** | **$ 373** | **$ 2,470** | **$ 3,079** | **$ 925** | **$ 487** | **$ 11,953** | **$ 19,526** |
| **Revenues** | | | | | | | | |
| Property Taxes | - | - | - | - | - | - | - | - |
| Sales & Use Taxes | - | - | - | - | - | - | - | - |
| Franchise Fees | - | - | - | - | - | - | - | - |
| Property Transfer Taxes | - | - | - | - | - | - | - | - |
| Business Taxes | - | - | - | - | - | - | - | - |
| Interest Income | - | - | - | - | - | 13 | - | 13 |
| Hotel/Motel Taxes | - | - | - | - | - | - | - | - |
| Vehicle License Fees | - | - | - | - | - | - | - | - |
| Paramedic Fees | - | - | - | - | - | - | - | - |
| Intergovernmental Revenues | 1,335 | 578 | | 2,721 | - | 796 | 227 | 5,657 |
| Charges for Services | - | - | 826 | - | - | - | 3,855 | 4,681 |
| Fines | - | - | - | - | - | - | - | - |
| Sale of Bonds | - | - | - | - | - | - | - | - |
| Other Revenues | 247 | - | 31 | 150 | 55 | - | - | 483 |
| **Total Revenues** | **1,582** | **578** | **857** | **2,871** | **55** | **809** | **4,082** | **10,834** |
| Operating Transfers In | - | - | 452 | - | | 50 | - | 502 |
| **Total Available Resources** | **1,821** | **951** | **3,779** | **5,950** | **980** | **1,346** | **16,035** | **30,862** |
| **Expenditures** | | | | | | | | |
| General Government | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | |
| Police | - | - | - | - | - | 768 | - | 768 |
| Fire | - | - | - | - | - | 315 | - | 315 |
| Development & Environmental Services: | | | | | | | | |
| Planning | - | - | - | - | - | - | - | - |
| Building & Safety | - | - | - | - | - | - | - | - |
| Engineering | - | - | - | - | - | - | - | - |
| Community Preservation | - | - | - | - | - | - | - | - |
| Environmental Services | - | - | - | - | - | - | 4,424 | 4,424 |
| Human Services | 1,580 | 816 | 278 | 3,229 | - | - | - | 5,903 |
| Maintenance | - | - | - | - | - | - | - | - |
| Recreation | - | - | - | - | - | - | - | - |
| Neighborhoods | - | - | - | 200 | 209 | - | - | 409 |
| Non-departmental | - | - | - | - | - | - | - | - |
| Debt costs | - | - | 506 | - | - | - | | 506 |
| **Total Expenditures** | **1,580** | **816** | **784** | **3,429** | **209** | **1,083** | **4,424** | **12,325** |
| Operating Transfers Out | 9 | - | 490 | 250 | 26 | - | 282 | 1,057 |
| **Total Use of Resources** | **1,589** | **816** | **1,274** | **3,679** | **235** | **1,083** | **4,706** | **13,382** |
| **Fund Balance - 6/30/04 (est.)** | **$ 232** | **$ 135** | **$ 2,505** | **$ 2,271** | **$ 745** | **$ 263** | **$ 11,329** | **$ 17,480** |

The Fremont Redevelopment Agency is a separate legal entity from the City of Fremont (the City Council serves as the Board of the Redevelopment Agency) responsible for implementing the adopted Redevelopment Plans in the Centerville, Irvington, Niles and Industrial redevelopment project areas. The City Manager is also the Executive Director of the Redevelopment Agency, and the Office of Housing and Redevelopment (formerly the Office of Neighborhoods) is the staff division responsible for managing the implementation of the Redevelopment Plans. Information on current Redevelopment Agency activities is available at www.fremont.gov/CityHall/Departments/.htm.

## Sources of Revenue

The Redevelopment Agency receives property tax increment revenue to fund its programs and projects. Property tax increment generally consists of the incremental property tax revenue that is paid in each of the project areas since the Redevelopment Plans were established. Twenty percent of the Redevelopment Agency's property tax increment revenue (Housing Set-Aside Revenues) is set aside to be exclusively used on affordable housing activities. The projection of FY 2003/04 revenue is conservative, anticipating an impact of assessed valuation appeals in the Industrial redevelopment project area.

The Redevelopment Agency has also issued bonds to support its activities. The debt service of these bonds is paid from and secured by property tax increment revenue.

## Uses of Revenue

Redevelopment Agency funds can only be used for eligible activities as outlined in California Redevelopment Law (CRL) in two primary categories: Affordable Housing activities and Redevelopment activities. The FY 2003/04 Redevelopment Agency budget reflects proposed expenditures in the following funds:

## Affordable Housing Fund

This section defines the FY 2003/04 budget authority for the use of Housing Set-Aside revenues. There are three funds for the Agency's affordable housing activities. Key elements of the Affordable Housing Operating Budget include debt service payments on the 2003 Affordable Housing Bond Issue, administrative expenses and projected capital expenditures on affordable housing projects. It is important to note that projected capital expenditures include projects to which funds have been appropriated in prior years. All capital project appropriations are considered as part of the Project Appropriations Plan described below.

## Redevelopment Operating Fund

This section defines the FY 2003/04 budget authority for the use of redevelopment (non-housing) revenues. The Redevelopment Agency operating budget assumes a $2.9 million expense in anticipation of a shift of redevelopment agency property tax increment revenue (non-housing) as a component of the State's FY 2003/04 budget. Other key elements of the Redevelopment Operating budget include pass through payments to taxing agencies ($7,480,937), administrative expenses, and anticipated expenditures on redevelopment projects.

## Debt Service Funds

This section defines the FY 2003/04 budget authority for the payment of Redevelopment debt service expenses. Property tax revenue is also received in the Debt Service Funds to initially support debt service payments on the 2000 Bond Issue and the 2003 Affordable Housing Bond Issue. Revenue is also transferred to the Redevelopment Operating Fund, the Redevelopment Capital Fund, and the Affordable Housing Fund to support expenditures on projects and programs.

## Bonds Proceeds Funds

This section defines the FY 2003/04 budget authority for the use of bond proceeds from the 2000 Bond Issue and the 2003 Affordable Housing Bond Issue.

## Capital Projects Fund

This section defines the FY 2003/04 projected capital Redevelopment (non-housing) expenditures of the Agency. It is important to note that projected capital expenditures include projects to which funds have been appropriated in prior years. All capital project appropriations are considered as part of the Project Appropriations Plan described in the Office of Housing and Redevelopment section of the budget document.

## Redevelopment Funds (RDA)

| (Thousands of Dollars) | General | Debt Service | Capital | Bond Proceeds | Housing Bond Debt Service | Housing Bond Proceeds | Affordable Housing | Eliminating Internal Transfers | Total Redevelopment |
|---|---|---|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/03 (est.)** | $ 1,750 | $ 39,636 | $ 21,273 | $ 7,428 | $ - | $ - | $ 8,585 | $ - | $ 78,672 |
| **Revenues** | | | | | | | | | |
| Property Taxes | - | 20,367 | - | - | - | - | 5,092 | | 25,459 |
| Sales & Use Taxes | - | - | - | - | - | - | - | | - |
| Franchise Fees | - | - | - | - | - | - | - | | - |
| Property Transfer Taxes | - | - | - | - | - | - | - | | - |
| Business Taxes | - | - | - | - | - | - | - | | - |
| Interest Income | 100 | 991 | 266 | 93 | - | - | 323 | | 1,773 |
| Hotel/Motel Taxes | - | - | - | - | - | - | - | | - |
| Vehicle License Fees | - | - | - | - | - | - | - | | - |
| Paramedic Fees | - | - | - | - | - | - | - | | - |
| Intergovernmental Revenues | - | - | - | - | - | - | - | | - |
| Charges for Services | - | - | - | - | - | - | - | | - |
| Fines | - | - | - | - | - | - | - | | - |
| Sale of Bonds | - | - | - | - | - | 16,500 | - | | 16,500 |
| Other Revenues | - | - | - | - | - | - | - | | - |
| **Total Revenues** | **100** | **21,358** | **266** | **93** | **-** | **16,500** | **5,415** | **-** | **43,732** |
| Operating Transfers In | 12,000 | - | 17,520 | - | 1,000 | - | - | (30,520) | - |
| **Total Available Resources** | **13,850** | **60,994** | **39,059** | **7,521** | **1,000** | **16,500** | **14,000** | **(30,520)** | **122,404** |
| **Expenditures** | | | | | | | | | |
| General Government | - | - | - | - | - | - | - | | - |
| Public Safety: | | | | | | | | | |
| Police | - | - | - | - | - | - | - | | - |
| Fire | - | - | - | - | - | - | - | | - |
| Development and Environmental Services: | | | | | | | | | |
| Planning | - | - | - | - | - | - | - | | - |
| Building & Safety | - | - | - | - | - | - | - | | - |
| Engineering | - | - | - | - | - | - | - | | - |
| Community Preservation | - | - | - | - | - | - | - | | - |
| Environmental Services | - | - | - | - | - | - | - | | - |
| Human Services | - | - | - | - | - | - | - | | - |
| Maintenance | - | - | - | - | - | - | - | | - |
| Recreation | - | - | - | - | - | - | - | | - |
| Neighborhoods | 12,014 | - | 38,355 | - | - | 14,000 | 6,419 | | 70,788 |
| Non-departmental | - | - | - | - | - | - | - | | - |
| Debt costs | - | 4,883 | - | - | 793 | - | - | | 5,676 |
| **Total Expenditures** | **12,014** | **4,883** | **38,355** | **-** | **793** | **14,000** | **6,419** | **-** | **76,464** |
| Operating Transfers Out | 185 | 22,000 | - | 7,521 | - | 1,000 | 108 | (30,520) | 294 |
| **Total Use of Resources** | **12,199** | **26,883** | **38,355** | **7,521** | **793** | **15,000** | **6,527** | **(30,520)** | **76,758** |
| **Fund Balance - 6/30/04 (est.)** | $ 1,651 | $ 34,111 | $ 704 | $ - | $ 207 | $ 1,500 | $ 7,473 | $ - | $ 45,646 |

The Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP) is produced every two years to forecast and allocate the resources that will be used for building and maintaining the City's infrastructure. The CIP/ICAP combines two budgetary components, building City infrastructure (CIP) and maintaining the City's existing assets (ICAP). The plan appropriates money for capital projects and the maintenance of existing infrastructure for two years, but it defines a plan that looks forward five years. The CIP/ICAP is a budget, but it is also a tool to facilitate strategic thought and comprehensive capital planning. As part of the development of the CIP/ICAP, City staff and the City Council prioritize and program funds from a variety of sources, including the General Fund, Gas Tax funds, Park funds, Traffic Impact Fee funds, and a variety of restricted Capital funds. Since the CIP/ICAP reflects the City's investment in capital assets, the document also includes a summary of the budgets for the Redevelopment Agency and the Maintenance Department.

The City Council adopted the CIP/ICAP on June 10, 2003. This action appropriates funds for FY 2003/04 through FY 2004/05. The adoption of this year's proposed CIP/ICAP reflects the uncertainty of the current economic environment as well as a substantial reduction in available resources for capital projects and maintenance of existing infrastructure. Revenue generation and interest earnings are significantly lower in this plan. The inclusion of this brief summary in the operating budget is intended to present a comprehensive picture of all the funds of the City and to reflect fund transfers approved between other operating funds and capital funds. A complete guide to the capital projects may be found in the City's CIP/ICAP document.

Within the CIP/ICAP, projects are categorized by major funding sources. This next section will provide an overview of each funding source, key revenue assumptions and descriptions of a few major projects/initiatives within each group.

## General Projects – Fund 501

The General Projects fund of the City is unrestricted and can be used for any project designated by the City Council. The resources in this fund come from a transfer from the City's General Fund. The debt repayment on assets acquired with certificates of participation (COPs) is also shown as a cost in this fund. The CIP/ICAP also lists projects to be funded through other debt mechanisms. This listing includes the $51 million voter-approved Public Safety Bond.

This year's CIP/ICAP presents a two-year project plan for the General Fund group as a result of the current economic uncertainty. The General Fund is contributing a minimum amount of funding for new projects in this plan. The majority of the funding for projects comes from the City Council's action to defund other capital projects funded by the General Fund earlier in FY 2002/03.

There are no new projects proposed for this fund group during this CIP/ICAP cycle. The primary focus is on economic development and maintenance of existing assets. The project highlights of this fund group include continuation of the $1 million annual contribution towards the development of the City's Downtown. The City Council identified this project as a high priority, particularly for economic development purposes, and indicated a strong desire to continue the work on this project. In the second year of the plan, the General Fund will contribute funding to the Concrete Repair Program for high priority repairs only. The limited availability of gas tax funds shifted funding of this program to the General Fund for one year only. The General Fund group also includes reduced appropriations for annual public building maintenance activities and a substantial contribution to the reserve and contingency accounts. Maintaining a higher than normal contingency and reserve level during times of economic uncertainty is important as unexpected items always surface.

## Maintenance Fund 500

The ICAP portion of the CIP/ICAP document identifies the funds available for the City's maintenance activities and programs these funds across a variety of City maintenance activities. The majority of this funding comes from the General Fund. Increased funding from the Integrated Waste Management fee will be used to pay for street sweeping, leaf removal, debris pick-up, litter and trash collection, and green waste processing. A small amount of gas tax funds goes towards street and median maintenance activities. Because these activities deal with the maintenance of City assets, the CIP/ICAP document includes them at a summary level. Since this fund is also the operational budget for Maintenance, this operating budget document provides greater detail elsewhere about the FY 2003/04 changes for the Maintenance budget.

## Gas Tax Funds

Revenue in this fund comes from the State gas tax and other street improvement sources, including the Measure B sales tax distribution and a new Alameda County Measure B fund dedicated to bike and pedestrian projects only. These funds can only be used for street maintenance and other traffic improvement projects. There is a significant level of uncertainty in the funding levels for this group as the region's economic downturn continues. The generation of these funds depends on consumption of gasoline and the redistribution of funds from the State to the City.

As with the General Projects group, the emphasis is on maintenance of existing assets. The reduced level of funding in this group means that even annual projects had to be prioritized in order to ensure that critical maintenance efforts continued. There are only two new projects (seismic retrofit and replacement of two bridges) added to this group, resulting from the loss of State matching funds for the projects. This plan also reflects a significant reduction in the level of funding for the City's street overlay programs. During the last CIP/ICAP, the City Council invested significant levels of funding in this program in an effort to catch up on some outstanding projects. As a result of the reduced funding levels and uncertainty, the projects proposed over the next 5 years reflect the funding reductions.

The CIP/ICAP document identifies the Bike and Pedestrian Fund Group projects separately because the funding comes from a new restricted Measure B fund. The projects included in this group consist of a variety of sidewalk improvements, installation of pedestrian safety devices, and creation of bike lanes. The creation of a substantial annual project fund will also enable the City Council to address emerging requests as necessary.

### Park Funds

Funds in this group are restricted to acquisition, development, and/or rehabilitation of park land. New development generates the majority of funding for this group. The Parks and Recreation Chapter of the General Plan contains the City's policies, standards and guidelines for acquisition and development activities eligible for funding with park funds. The City Council has also adopted a Park Development Program. As with the other fund groups, the region's economic climate has affected both the revenue generation for these projects as well as the City's ability to maintain additional park development.

As part of the CIP/ICAP development process, staff identified numerous park development projects that should be paused due to the maintenance and operational impacts of these projects. The first two years of the plan programs funds for the design of future parks and for development of parks that will reduce existing maintenance impacts. Prior to commencing any parks project, staff will evaluate the maintenance and operations costs and return to the City Council for direction on proceeding. If funds become available for maintenance and operations, staff and the City Council will reevaluate project priorities, most likely as part of the FY 2005/06 – FY 2009/10 CIP/ICAP development.

### Traffic Impact Fee Funds

New development also generates the funding for this group. The funds reflect new development's share of the cost of street improvements, interchanges, and other traffic infrastructure improvements. The lack of new development within Fremont has also affected the level of new funding available for projects in this group. Additionally, the City Council has paused and defunded a few projects (totaling approximately $2 million) related to the Route 84 relocation in anticipation that funding for these projects may come from another outside source.

A significant portion of the traffic impact fee funding in this five-year plan will go to the Washington-Paseo Padre Parkway Grade Separations project, which requires an additional $3.2 million appropriation. There are no new projects proposed for the first two years of the plan. Funding will go to complete projects currently underway. Three of these projects will complete significant street-widening efforts on Stevenson Boulevard and Alvarado Boulevard. Additionally, there will be two substantial intersection improvement projects at Blacow and Central Avenue and at Fremont and North Grimmer Boulevard. The funds needed to complete these two projects total approximately $1.2 million in the first year of the plan.

## Restricted Capital Funds

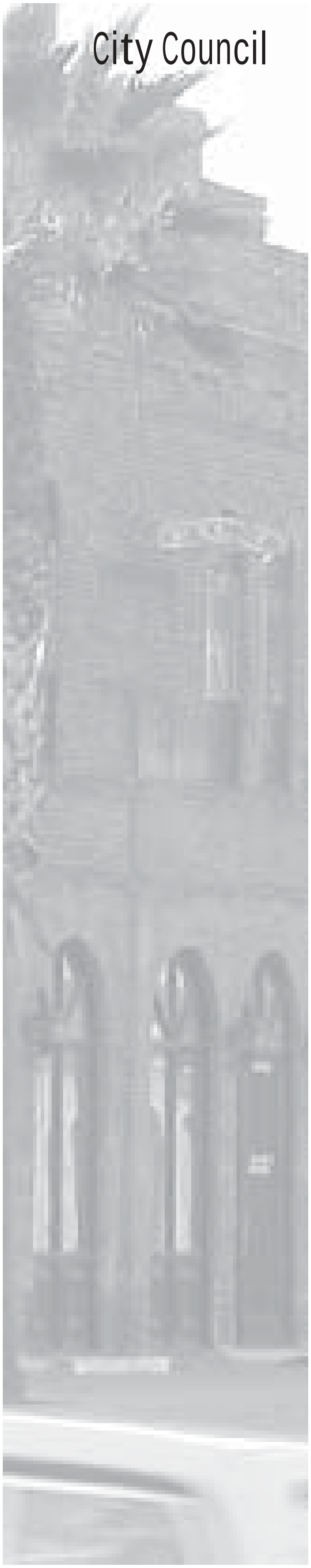
These funds are included by reference only; the amounts noted on the table show funds available for specific capital projects only. One of the major sources of restricted funding in this CIP/ICAP is the Police Building bond proceeds. The conversion of the former City Government Building to parkland in early June 2003 enabled the City Council to program approximately $4 million of bond proceeds formerly required for park land replacement. These funds will go towards the demolition of the City Government Building and repair of the site, the upgrade of the traffic signal cabinet, and a variety of annual traffic signal projects.

The other restricted capital funds will go to maintenance projects, two at the Family Resource Center and one at the Development Services building. The Family Resource Center fund and the DES Cost Center fund balance will cover the costs of these projects.

## Capital Improvement Funds

| (Thousands of Dollars) | Gen Fund Group (including ICAP) | Vehicle Replacement | Gas Tax | Park Benefit | Traffic Impact | Restricted Group | Expenditure Reclass* | Total Projects |
|---|---|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/03 (est.)** | **$ 2,359** | **$ 2,025** | **$ 1,526** | **$ 9,694** | **$ 1,481** | **$ -** | **n.a** | **$ 17,085** |
| **Revenues** | | | | | | | | |
| Property Taxes | - | - | - | - | - | - | - | - |
| Sales & Use Taxes | - | - | - | - | - | - | - | - |
| Franchise Fees | - | - | - | - | - | - | - | - |
| Property Transfer Taxes | - | - | - | - | - | - | - | - |
| Business Taxes | - | - | - | - | - | - | - | - |
| Interest Income | 150 | - | 511 | 300 | 511 | - | - | 1,472 |
| Hotel/Motel Taxes | - | - | - | - | - | - | - | - |
| Vehicle License Fees | - | - | - | - | - | - | - | - |
| Paramedic Fees | - | - | - | - | - | - | - | - |
| Intergovernmental Revenues | - | | 5,205 | - | - | 321 | - | 5,526 |
| Charges for Services | 2,300 | 1,082 | - | - | - | - | (1,082) | 2,300 |
| Fines | - | - | - | - | - | - | - | - |
| Sale of Bonds | - | - | - | - | - | - | - | - |
| Other Revenues | - | - | - | 756 | 1,050 | 994 | - | 2,800 |
| **Total Revenues** | **2,450** | **1,082** | **5,716** | **1,056** | **1,561** | **1,315** | **(1,082)** | **12,098** |
| Operating Transfers In | 26,323 | - | - | - | - | - | - | 26,323 |
| **Total Available Resources** | **31,132** | **3,107** | **7,242** | **10,750** | **3,042** | **1,315** | **(1,082)** | **55,506** |
| **Expenditures** | | | | | | | | |
| General Government | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | - |
| Police | - | - | - | - | - | - | - | - |
| Fire | - | - | - | - | - | 94 | - | 94 |
| Development & Environmental Services: | | | | | | | | |
| Planning | - | - | - | - | - | - | - | - |
| Building & Safety | - | - | - | - | - | - | - | - |
| Engineering | - | | 1,036 | - | - | - | (1,036) | - |
| Community Preservation | - | - | - | - | - | - | - | - |
| Environmental Services | - | - | - | - | - | - | - | - |
| Human Services | - | - | - | - | - | - | - | - |
| Maintenance | 18,850 | - | - | - | - | - | - | 18,850 |
| Recreation | - | - | - | - | - | - | - | - |
| Neighborhoods | - | - | - | - | - | - | - | - |
| Non-departmental | 2,365 | 537 | 3,668 | 829 | 2,702 | 321 | (4,598) | 5,824 |
| Debt costs | 6,493 | - | - | - | - | - | - | 6,493 |
| **Total Expenditures** | **27,708** | **537** | **4,704** | **829** | **2,702** | **415** | **(5,634)** | **31,261** |
| Operating Transfers Out | 2,352 | - | 1,300 | - | - | 900 | - | 4,552 |
| **Total Use of Resources** | **30,060** | **537** | **6,004** | **829** | **2,702** | **1,315** | **(5,634)** | **35,813** |
| **Fund Balance - 6/30/04 (est.)** | **$ 1,072** | **$ 2,570** | **$ 1,238** | **$ 9,921** | **$ 340** | **$ -** | **n.a** | **$ 19,693** |

*NOTE: A portion of Capital Improvement Funds' expenditures are being reclassed because costs for design, engineering, and other staff charges to capital projects are budgeted as part of the costs of projects and also included in departments' budgets. Total fund balance does not include available fund balances in restricted fund groups which are contained in the CIP/ICAP.




***Vision:** Fremont, in the year 2020, will be a globally connected economic center with community pride, strong neighborhoods, engaged citizens from all cultures, and a superb quality of life.*

**Long-term Outcomes for the City of Fremont**

1. **Dynamic local economy:** A diverse, strong, and adaptable economy where businesses can be successful in the global economy and where residents and visitors can enjoy high-quality commercial amenities.

2. **An engaged and connected multicultural community:** Strong relationships among people of all cultures and backgrounds to foster democratic community leadership and commitment to a flourishing Fremont.

3. **Thriving neighborhoods:** Safe and distinctive commercial and residential areas where people know each other, are engaged in their community, and take pride in their neighborhoods. Make Fremont a great place to raise children.

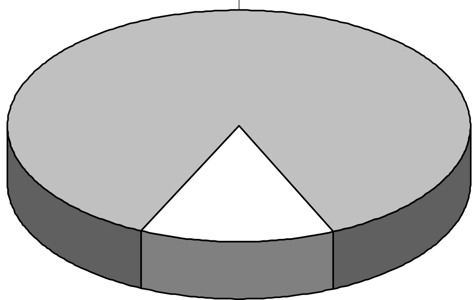
4. **Live and work in Fremont:** A range of housing to match the variety of jobs in Fremont enabling people to live and work locally throughout their lives.

5. **Interesting places and things to do:** Places of interest throughout the community where people want to gather, socialize, recreate, shop, and dine.

6. **Effective transportation systems**: A variety of transportation networks that makes travel easy throughout Fremont.

## City Council Sources of Funding

FY 2003/04: $217,471




## City Council Expenditures

FY 2003/04

| | | 1999/00 Actual | | 2000/01 Actual | | 2001/02 Actual | | 2002/03 Estimated Actual | | 2002/03* Adjusted Budget | | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Salaries & Benefits | $ | 83,178 | $ | 83,357 | $ | 79,385 | $ | 96,925 | $ | 96,925 | $ | 111,281 |
| Operating Expenditures | | 134,931 | | 150,275 | | 150,952 | | 126,345 | | 131,059 | | 98,600 |
| Capital Expenditures | | 850 | | - | | - | | 11,194 | | 10,415 | | - |
| Indirect Expense Allocation** | | n/a | | n/a | | 15,721 | | 8,617 | | 8,617 | | 7,590 |
| **TOTAL EXPENDITURES** | **$** | **218,959** | **$** | **233,632** | **$** | **246,058** | **$** | **243,081** | **$** | **247,016** | **$** | **217,471** |
| | | | | | | | | % increase/(decrease) from FY 2002/03 | | | | (12.0%) |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes for FY 2003/04

City Council salaries are set by Council ordinance (FMC Section 2-1103) and increased as of December 1, 2002. (The Mayor's salary increased $561 per month and the Councilmember's salaries each increased $357 per month.) The Mayor and City Councilmembers each receive a Council-approved travel allowance to pay for travel expenses related to attendance at official conferences and meetings. Travel budgets were reduced 20% in FY 2003/04. Other operating expenditures were also reduced, for a total departmental reduction of 12.0%.

# Development & Environmental Services

***Mission:*** *To work in partnership with the community, business, and industry to develop and preserve a quality environment.*

## Description of Responsibilities and Services

Development and Environmental Services provides community planning, engineering, code enforcement, building permit and inspection, and environmental services. (As of FY 2003/04, the Engineering Division of the Development and Environmental Services Department will also have supervisory responsibility over street maintenance, median maintenance, and urban forestry. Information on these Maintenance units can be found on pages 147-153.) Using the City's General Plan, zoning, and subdivision ordinances, the department acts as the steward of the community by assisting the public through mandated development project reviews, the subdivision of land, and related public improvement plans. To safeguard life, health, property, and the public welfare, the department is also responsible for ensuring that buildings and public improvements are designed and constructed according to established standards and governing regulations. Enhanced traffic flow and a safe street system are managed through traffic studies, street improvements, and effective traffic signal coordination. The City's capital assets, such as streets, parks, and public buildings, are designed and constructed under the department's auspices. Environmentally sound and cost effective methods for the disposal of garbage, recovery of recyclables, waste prevention, and the flow of clean water into our streams and the Bay are also programmed in the department.

## Service Objectives

- Implement Housing Element programs and key changes in the General Plan to provide a regulatory environment conducive to the construction of a broad range of housing to meet the needs of the community.

- Establish Community Commercial overlay zones in the Niles and Irvington historic districts to implement the respective Concept Plans and provide a regulatory environment that stimulates private investment.

- Adopt amendments to the Zoning Ordinance and the Building Code to provide uniform and clear authority to ensure safe development on existing parcels in the face of landslide and slope instability risks.

- Amend the General Plan and appropriate zoning ordinances to implement the hillside initiative (Measure T) passed by the voters in November 2002.

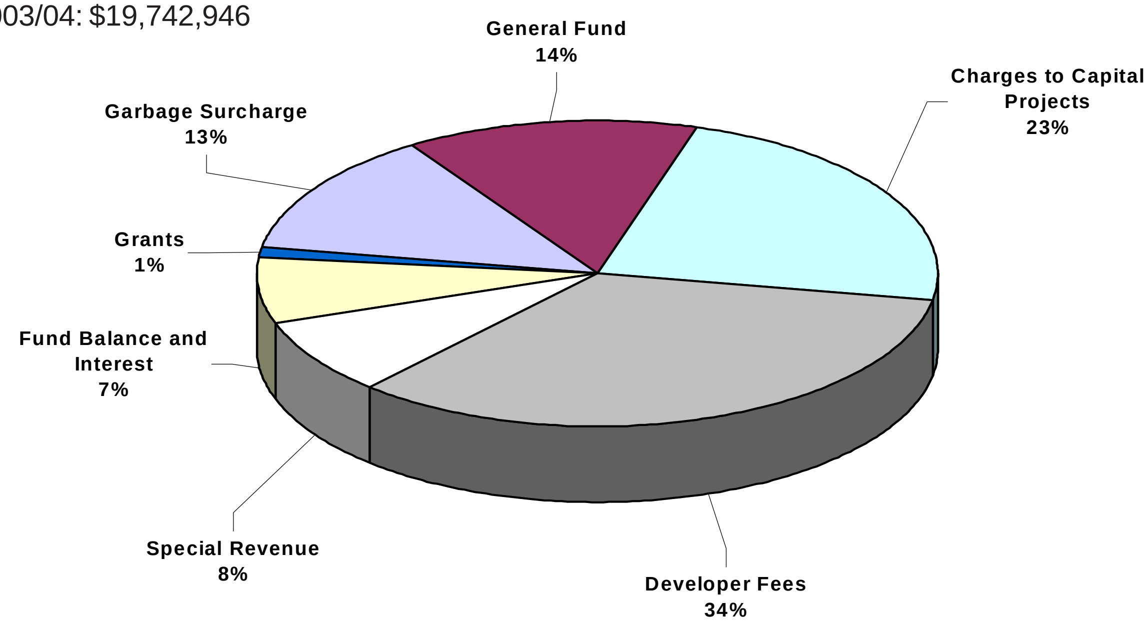
- Implement new development, design, and construction standards, and other policies and procedures to comply with the new National Pollutant Discharge Elimination System (NPDES) permit in order to obtain higher levels of storm water treatment.

- Ensure a streamlined regulatory process and focused staff team in support of major retail projects in the next fiscal year to expand the City's retail tax bases.

- Enter into a partnership with a private developer and affected property owners for the Capitol Avenue Downtown project to launch the City's downtown retail effort.
- Develop a project implementation plan for the design and construction of the Fire Safety Bond projects and award contracts for the first phase of the retrofit and remodel projects.
- Establish and implement a process by which the City Council will provide final policy direction regarding the relocation of State Highway 84 and surplus City-owned property in support of economic development.
- Develop a household hazardous waste program to ensure a drop-off facility is operational when the new solid waste transfer station opens.
- Implement a pilot commercial food waste recycling program in grocery stores to conserve resources and reduce the amount of solid waste disposed of at the landfill.
- In collaboration with the Fire Department, re-examine the pilot Apartment Preservation Program to determine the most effective use of scarce City resources in maintaining and improving the quality of housing stock in Fremont.
- Expand the City's efforts to achieve higher compliance in refuse collection and recycling in multi-family buildings to eliminate blight and reduce waste.
- Implement focused process improvements to increase the quality of customer service in support of business retention and attraction for small business and retail operations.
- In collaboration with the Fire Department, explore ways to improve security systems of businesses using hazardous materials to improve the general health and safety of the community.

**Development & Environmental Services Sources of Funding**

FY 2003/04: $19,742,946



## Planning Expenditures
FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 1,958,250 | $ 1,972,893 | $ 2,052,226 | $ 2,033,444 | $ 2,259,070 | $ 2,110,472 |
| Operating Expenditures | 415,603 | 605,633 | 111,409 | 96,141 | 239,660 | 235,160 |
| Capital Expenditures | 17,229 | 39,924 | 24,544 | 755 | 25,531 | 15,000 |
| Indirect Expense Allocation** | n/a | n/a | 596,642 | 533,611 | 586,324 | 530,755 |
| **TOTAL EXPENDITURES** | **$ 2,391,082** | **$ 2,618,450** | **$ 2,784,821** | **$ 2,663,951** | **$ 3,110,585** | **$ 2,891,387** |
| | | | | % increase/(decrease) from FY 2002/03 | | (7.0%) |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

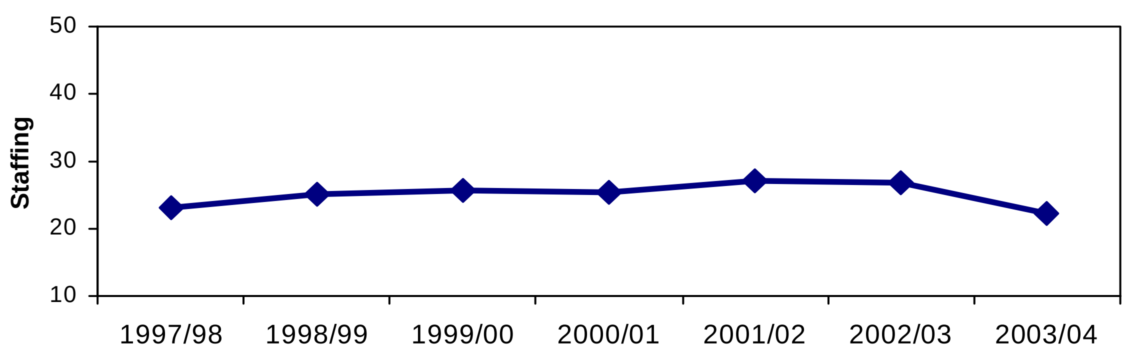
** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes and Strategies for Transition

The FY 2003/04 Planning Division budget is $219,198 (or 7.0%) less than the FY 2002/03 adjusted budget. The General Fund contract for the Development Cost Center is $2,186,000, or 20%, less than it would have been with normal increases for inflation-related allowances. The Planning Division earns approximately 40% of the General Fund revenue in the Department for customer service and long-range planning activities. The number of authorized positions is being reduced from 27 to 22.28; five temporary positions are being eliminated. (A detailed list of citywide position changes can be found on pages 63-64.)

While the Development Cost Center has suffered financially from the economic recession, the Planning Division has felt less impact as 39% of its revenues come from development fees. In addition to the construction-related revenue turbulence, the Division is adapting to a 20% reduction in General Fund support. With less funding and fewer staff in FY 2003/04, the Planning Division will close the Development Services Center every Friday at noon. In addition, response time to the Zoning Information line will increase by one to two days. When possible, staff will cancel Planning Commission and Historical Architectural Review Board meetings, resulting in project delays for both developers and the City.

### Planning Historical Authorized Staffing



## Building & Safety Expenditures
FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 2,920,192 | $ 3,433,674 | $ 3,411,227 | $ 3,483,803 | $ 3,859,388 | $ 3,448,093 |
| Operating Expenditures | 223,891 | 958,271 | 120,953 | 83,334 | 238,416 | 97,050 |
| Capital Expenditures | 37,352 | 146,968 | 23,206 | 832 | 184,500 | 44,000 |
| Indirect Expense Allocation** | n/a | n/a | 893,750 | 825,209 | 925,604 | 790,707 |
| **TOTAL EXPENDITURES** | **$ 3,181,435** | **$ 4,538,913** | **$ 4,449,136** | **$ 4,393,178** | **$ 5,207,908** | **$ 4,379,850** |

% increase/(decrease) from FY 2002/03 (15.9%)

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

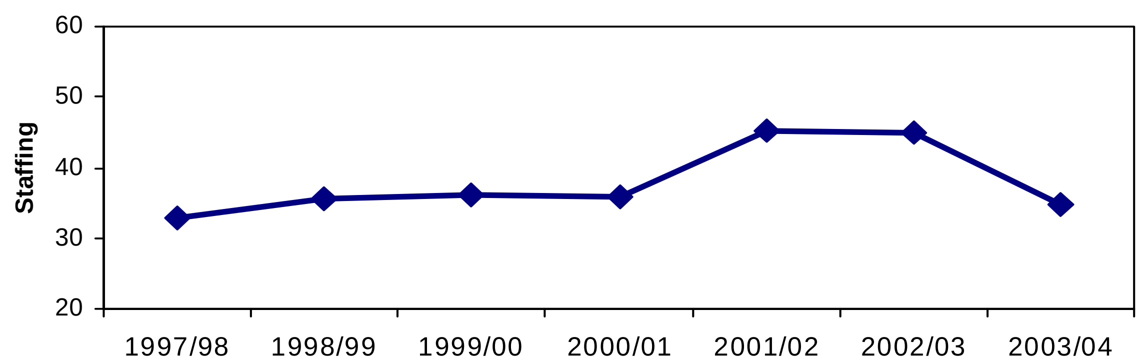
** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes and Strategies for Transition

The Building & Safety Division, which receives no General Fund support for its operations, relies almost entirely on development fees to fund its operations. With construction-related revenue down as a result of the recession, the Division has made significant budget reductions for FY 2003/04. The FY 2003/04 Building & Safety Division budget is $828,058 (or 15.9%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 45.05 to 34.78. (A detailed list of citywide position changes can be found on pages 63-64.)

The Building & Safety Division is laying off one permanent support staff position, eliminating all temporary staff, eliminating eight vacant positions, and eliminating one Building Inspector position through attrition. The Division will also evaluate its fee structure to lessen the impact of revenue fluctuations on operations.

### Building & Safety Historical Authorized Staffing



## Community Preservation Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adopted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 420,368 | $ 446,174 | $ 521,351 | $ 621,862 | $ 650,553 | $ 582,590 |
| Operating Expenditures | 45,674 | 98,444 | 24,664 | 17,134 | 17,853 | 5,100 |
| Capital Expenditures | 12,857 | - | - | - | - | - |
| Indirect Expense Allocation** | n/a | n/a | 99,180 | 70,186 | 70,186 | 61,025 |
| **TOTAL EXPENDITURES** | **$ 478,899** | **$ 544,618** | **$ 645,195** | **$ 709,182** | **$ 738,592** | **$ 648,715** |
| | | | % increase/(decrease) from FY 2002/03 | | | (12.2%) |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

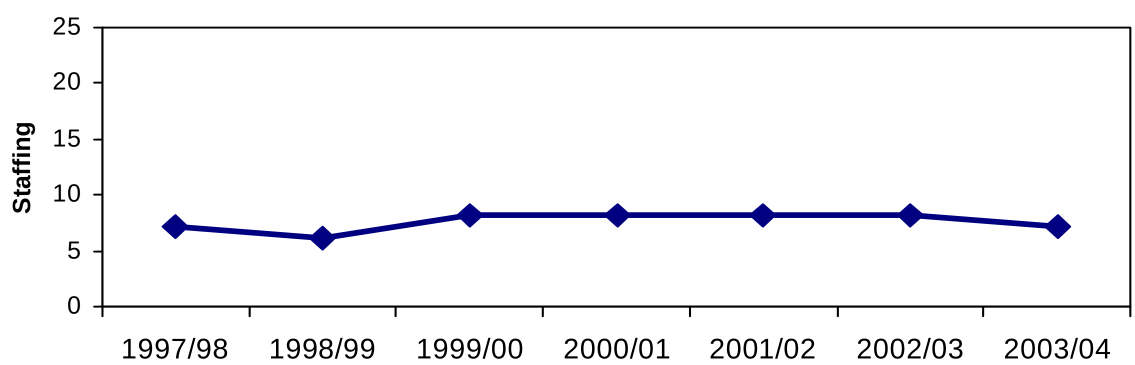
** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes and Strategies for Transition

The FY 2003/04 Community Preservation budget is $89,877 (or 12.2%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 8.1 to 7.08. (A detailed list of citywide position changes can be found on pages 63-64.)

With the reduction in staff of one Code Enforcement Officer, the Community Preservation section will put the Apartment Preservation Program on hold and eliminate weekend code enforcement. In addition, response times will increase for non-hazardous situations, lower-priority cases, and referrals, and staff will have less time available to help customers understand the City's compliance process. Additionally, beginning in FY 2003/04, the Environmental Services Division will contribute $42,000 annually to the section to fund solid waste enforcement activities.

### Community Preservation Historical Authorized Staffing



## Engineering Expenditures
FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 3,726,017 | $ 4,482,841 | $ 4,965,961 | $ 5,164,442 | $ 5,596,024 | $ 5,451,180 |
| Operating Expenditures | 942,054 | 1,219,483 | 185,511 | 268,498 | 334,950 | 309,262 |
| Capital Expenditures | 76,457 | 43,555 | 41,405 | 40,186 | 181,000 | 181,000 |
| Indirect Expense Allocation** | n/a | n/a | 1,138,208 | 1,157,872 | 1,234,345 | 1,175,484 |
| **TOTAL EXPENDITURES** | **$ 4,744,528** | **$ 5,745,879** | **$ 6,331,085** | **$ 6,630,998** | **$ 7,346,319** | **$ 7,116,926** |
| | | | % increase/(decrease) from FY 2002/03 | | | (3.1%) |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

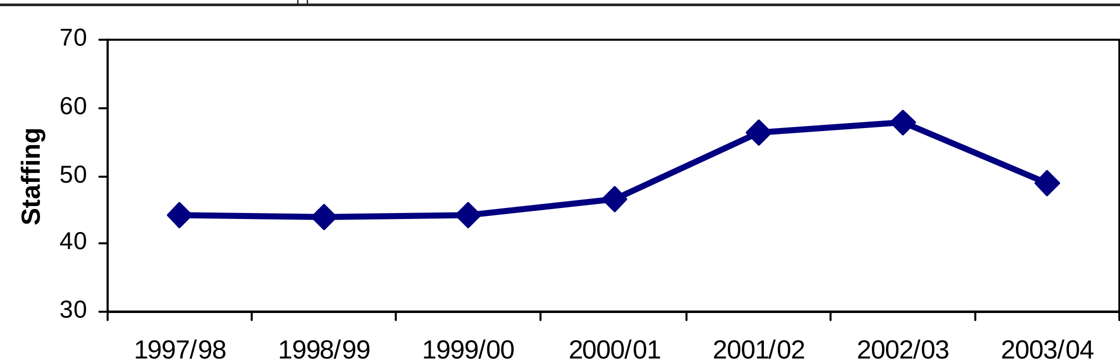
** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes and Strategies for Transition

The FY 2003/04 Engineering Division budget is $229,393 (or 3.1%) less than the FY 2002/03 adjusted budget. The General Fund contract for the Development Cost Center is $2,186,000 less than it would have been with normal increases for inflation-related allowances. The Engineering Division earns approximately 60% of the General Fund revenue in the Department for customer service and traffic engineering activities. The number of authorized positions is being reduced from 58 to 49.06. (A detailed list of citywide position changes can be found on pages 63-64.)

Because only 23% of the Division's revenues come from development fees, the Division has not been as deeply affected by the recession as other divisions have. However, uncertainty within the City's Capital Improvement Plan and a 20% reduction in General Fund support has forced the Division to reduce its FY 2003/04 budget. The Division is eliminating eight vacant and four temporary positions in the Design Engineering, Real Property, and Transportation Engineering sections. The reduction in Transportation Engineering positions will reduce traffic signal coordination efforts and increase traffic service request response times. The loss of Design Engineering staff will create a 35% reduction in project delivery capacity and slower delivery of funded design projects. Finally, the loss of staff in the Real Property section will lead to delayed responses to tenant issues with City-owned properties and reduced monitoring of lease compliance issues.

### Engineering Historical Authorized Staffing



## Environmental Services Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 618,623 | $ 552,587 | $ 640,850 | $ 743,057 | $ 710,991 | $ 898,942 |
| Operating Expenditures | 1,219,025 | 1,193,785 | 1,210,884 | 2,063,394 | 2,455,371 | 3,430,219 |
| Capital Expenditures | 43,525 | 12,985 | 3,355 | 1,247 | 38,812 | 16,700 |
| Indirect Expense Allocation** | n/a | n/a | 412,483 | 519,151 | 634,896 | 360,207 |
| **TOTAL EXPENDITURES** | **$ 1,881,173** | **$ 1,759,357** | **$ 2,267,572** | **$ 3,326,849** | **$ 3,840,070** | **$ 4,706,068** |
| | | | % increase/(decrease) from FY 2002/03 | | | 22.6% |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

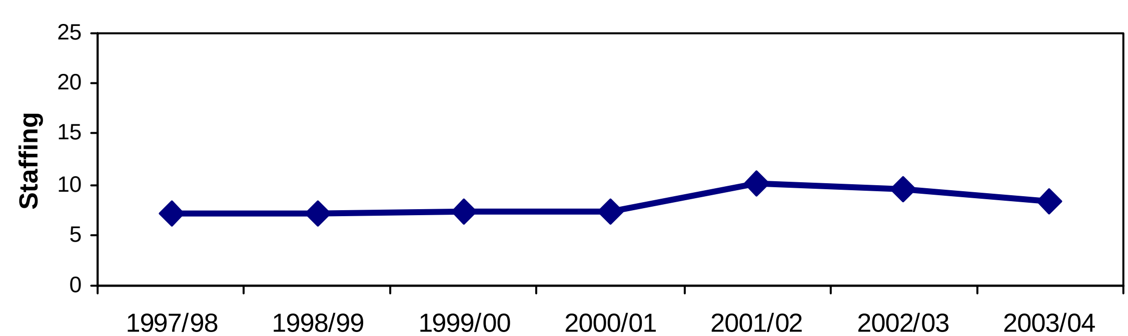
** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes and Strategies for Transition

The FY 2003/04 Environmental Services Division budget is $865,998 (or 22.6%) more than the FY 2002/03 adjusted budget. The Division receives no General Fund support and relies on garbage/recycling collection charges, urban water runoff fees for clean water, and grant funding to support its operations. The number of authorized positions is being reduced from 9.55 to 8.25 in FY2003/04. (A detailed list of citywide position changes can be found on pages 63-64.)

An element of the rates imposed by the City for garbage collection is the Integrated Waste Management (IWM) fee that is used, in part, to support solid waste management activities performed by the Maintenance Division. Currently, the IWM fee supports a portion of the Maintenance Division's litter abatement activities but not street sweeping, leaf removal, debris pick-up, litter and trash collection, and green waste processing. The City Council recently took action to direct that the IWM fee be increased in order to support all of the solid waste management activities described above. Prior to the fee going into effect in January 2004, the Integrated Waste fund balance generated by the IWM fee will fund these Maintenance activities. The FY2003/04 budget identifies this expense as part of the Division's annual operating expenditures. This additional $2.5 million contribution to the Maintenance activities identified above creates a 22.6% increase in the Division's budget. Additionally, approximately $500,000 of the current year's IWM fee will support the Maintenance services as a component of the City's solid waste management operations.

### Environmental Services Historical Authorized Staffing



Staffing by Function
FY 2003/04
121.45 (rounded) Permanent Full-Time Equivalents

## Development and Environmental Services

### Building & Safety
Assistant City Manager .1
Deputy Director .3
Management Analyst I .15
Management Analyst II .3
Building & Safety Manager .93
Building Inspector 8.0
Building Inspector Specialist 7.0
Dev. Services Supervisor 1.0
Plan Check Engineer 5.0
Plans & Permits Manager 1.0
Senior Structural Plan Check Engineer 1.0
Supervising Building Inspector 3.0
Support Specialist 7.0

### Community Preservation
Building & Safety Manager .08
Community Preservation Manager 1.0
Code Enforcement Officer II 5.0
Senior Code Enforcement Officer 1.0

### Engineering
Assistant City Manager .25
Deputy Director .08
Management Analyst I .18
Management Analyst II .3
Assistant City Engineer 1.0
Civil Engineer II 3.0
Assistant Landscape Architect 2.0
Transportation Engineer II 4.0
Associate Civil Engineer 4.75
Associate Landscape Architect 1.0
Associate Transportation Engineer 2.0
Chief of Party 1.0
City Engineer 1.0
Construction Inspector 1.0
Construction Materials Insp. 1.0
Civil Engineer I 1.0
Transportation Engineer I 1.0
Real Property Agent 1.0
Real Property Manager 1.0
Senior Civil Engineer 3.0
Senior Construction Insp. 5.0
Senior Engineering Spec. 2.0
Senior Transportation Engineer 2.0
Supervising Construction Coordinator 2.0
Survey Instrument Operator 1.0
Support Specialist 5.0
Senior Landscape Architect 1.0
Real Property Assistant II 1.0
Senior Manager 0.5

### Environmental Services
Assistant City Manager .12
Deputy Director .3
Environmental Services Mgr. .9
Management Analyst I .03
Management Analyst II .1
Waste Reduction & Recycling Coordinator 1.0
Support Specialist .9
Environmental Specialist I 1.0
Environmental Specialist II 3.9

### Planning
Assistant City Manager .25
Deputy Director .08
Management Analyst I .15
Management Analyst II .3
Planner II 1.25
Associate Civil Engineer 1.0
Associate Planner 4.0
Development Services Supervisor 1.0
Information Systems Appl Spc 1.0
Planner I 4.0
Planning Manager/ City Planner 1.0
Senior Planner 1.0
Zoning Technician 1.0
Support Specialist 5.25
Deputy Planning Manager 1.0

# Economic Development

**Mission:** *To improve the community's economic base and quality of life for businesses and residents by helping to create a dynamic local economy, develop interesting places and things to do, provide the ability to live and work in Fremont, retain and attract businesses, and strengthen sales tax revenues.*

### Description of Responsibilities and Services

The Office of Economic Development, in partnership with many internal and external stakeholders, proactively works with real estate brokers, developers, and property owners to create the type of retail, office, and industrial or technology-based development desired by the City; creates and implements an overall marketing strategy for the City as a quality place in which to live and do business; proactively communicates with the business community to promote Fremont as a location of choice; works with regional development organizations to strengthen Fremont's position within the local, regional and global economies, assists Council's leadership position in economic development efforts; and assists the Redevelopment Agency in the revitalization of Fremont's historic commercial districts.

### Service Objectives

- Attract retail and restaurants to the City to increase sales tax revenues and create a place where people can gather and enjoy activities.

- Work with Catellus Development Corporation on the retail development at Pacific Commons; serve as a liaison between Catellus and the rest of the City staff to ensure the development moves forward in a timely manner.

- Complete a comprehensive strategic plan focused on achieving the type of local economy and attracting and retaining the companies desired by the Fremont community.

- Develop a marketing plan that highlights the benefits of doing business in Fremont and encourages individuals to shop in Fremont.

- Develop and implement programs and events to connect local residents to local jobs.

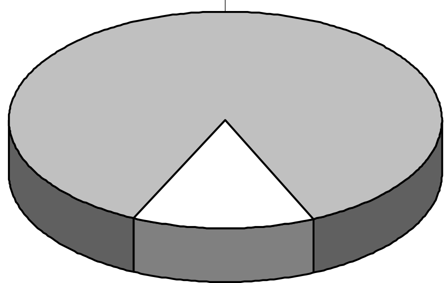
- Develop and implement a biotech industry strategy to capture a portion of the emerging and expanding biotech industry in the San Francisco Bay Area.

- Facilitate development activities in the historic redevelopment areas and Downtown Fremont to encourage revitalization and increase business activity and tax revenues.

- Identify concerns, topics, and issues within the business community and communicate these to the City Council through regular Economic Development Advisory Commission meetings.

## Economic Development Sources of Funding

FY 2003/04: $874,500




## Economic Development Expenditures

FY 2003/04

| | | 1999/00 Actual | | 2000/01 Actual | | 2001/02 Actual | | 2002/03 Estimated Actual | | 2002/03* Adjusted Budget | | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Salaries & Benefits | $ | 251,847 | $ | 288,908 | $ | 364,772 | $ | 466,000 | $ | 458,371 | $ | 541,484 |
| Operating Expenditures | | 147,995 | | 356,657 | | 304,636 | | 364,934 | | 728,902 | | 322,200 |
| Capital Expenditures | | 760 | | 11,046 | | 757 | | 1,000 | | 8,202 | | 2,159 |
| Indirect Expense Allocation** | | n/a | | n/a | | 10,305 | | 8,324 | | 8,324 | | 8,657 |
| **TOTAL EXPENDITURES** | **$** | **400,602** | **$** | **656,611** | **$** | **680,470** | **$** | **840,258** | **$** | **1,203,799** | **$** | **874,500** |

% increase/(decrease) from FY 2002/03 (27.4%)

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the “Major General Fund Changes” section of this document.

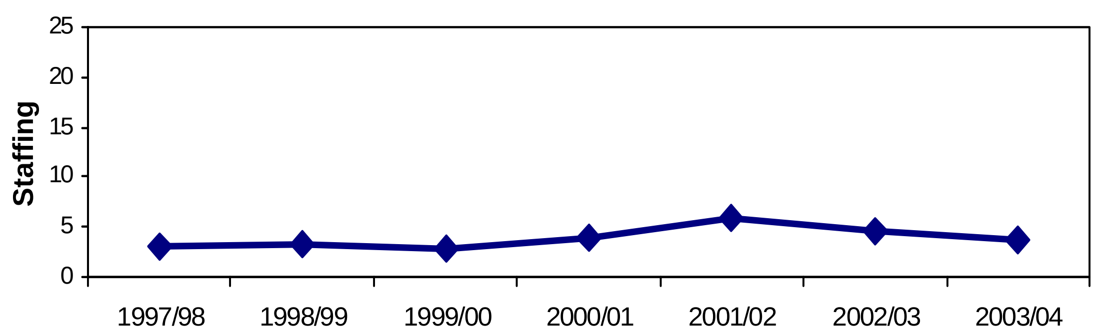
** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

**Major Changes and Strategies for Transition**

The FY 2003/04 Economic Development budget is $329,299 (or 27.4%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 4.7 to 3.64. (A detailed list of citywide position changes can be found on pages 63-64.)

The Office of Economic Development will continue to provide its core services of business retention and attraction, retail recruitment, and marketing and communications. In FY 2003/04, no core economic development services will be discontinued, even though the department's General Fund support has been reduced by 27.4%. Instead, the department is reducing its outside consultant and contract services budgets, and restructuring the responsibilities of staff to ensure even stronger attention to attraction of development that will add the most to the community's tax base. The staff time that had been committed to special events will now be directed toward economic development marketing and outreach.

**Economic Development Historical Authorized Staffing**



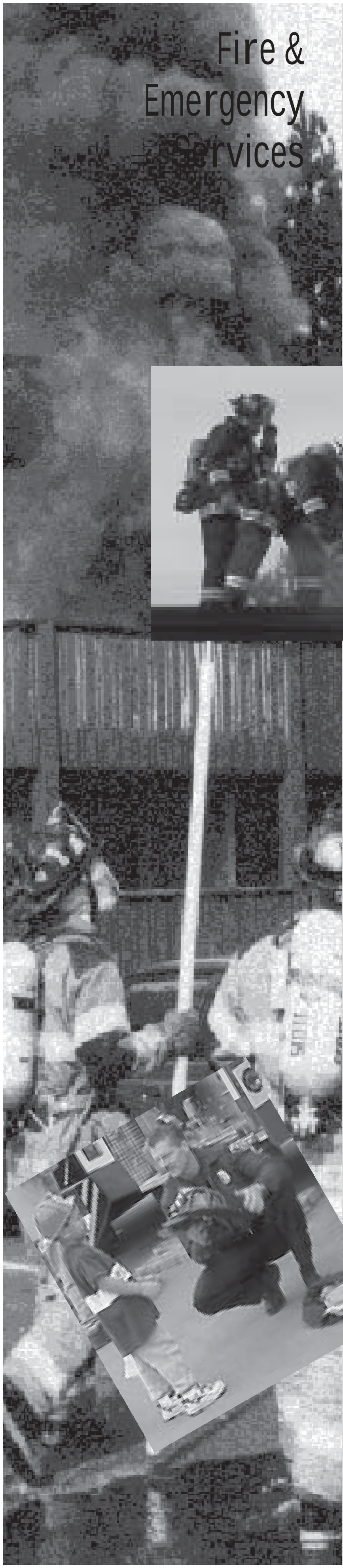

Staffing by Function
FY 2003/04
3.64 Permanent Full-Time Equivalents

**Economic Development**

Economic Development Director .64*
Management Analyst III 1.0
Marketing and Communications Coordinator 1.0
Support Specialist 1.0

The Retail Development Manager position is not shown above because it is filled through a contract.

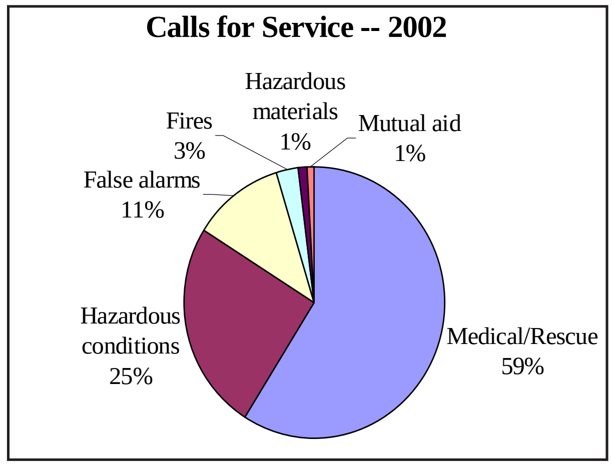
*The balance of this position is budgeted in the Office of Housing & Redevelopment.




**Mission:** *To deliver the services necessary to minimize the loss of life and property threatened by the hazards of fire, medical and rescue emergencies, hazardous materials incidents, and disaster situations in the City of Fremont.*

## Description of Responsibilities and Services

The Fire Department is responsible for providing the rapid delivery of fire, medical, rescue, and life safety emergency services within the City of Fremont. Emergency services are delivered through twelve in-service fire companies from ten strategically located fire stations in the City with the primary goals of reducing causalities and the loss of life, improving patient outcomes, reducing property loss and damage, effecting successful extrications of trapped victims, and protecting the environment from the effects of a hazardous materials release.  In 2002, the Fire Department responded to 12,867 calls for service.




The Fire Department also provides the following programs and services: a paramedic program that is nationally recognized for excellence; emergency preparedness training through support for the Community Emergency Response Team Program (CERT); fire and life safety code inspection services; and hazardous materials management services for the City.  The department participates in community-wide initiatives and public outreach programs.

## Service Objectives

- Maintain emergency response performance goal (arriving at the scene of an emergency within six minutes 90% of the time), as rapid arrival dramatically increases the likelihood of preserving life and property.

- Rescue and extricate trapped individuals in 30 minutes or less from time of arrival at scene of emergency, 90% of the time, since prompt extrication provides for faster medical intervention.

- As part of the program to ensure Fire Department services in the event of an earthquake, begin renovation of Stations 4 (Mission San Jose), 5 (Warm Springs), 9 (Stevenson), and 10 (Ardenwood), and begin preliminary design on three replacement facilities.

- Assist the Community Emergency Response Team (CERT) in becoming a successful organization with financial independence from the City, with CERT remaining a strong partner with the City, utilizing City space and equipment.

- Develop a strategic plan that ensures Fire Department alignment with the citywide Strategic Plan and sets the direction for the department for service delivery improvements.

- Develop an annual report to inform the community about Fire Department services.

- Reduce costs of fire and emergency medical services by transitioning the Fire Department's in-house dispatch services to a contractual service arrangement with another local high-quality dispatch services agency.

- Implement the electronic incident reporting system, known as the National Fire Incident Reporting System, or NFIRS, to assist with determining trends of fire alarm activity and developing alternative approaches to service delivery.

- Create a customer service survey to enhance the Fire Department's ability to incorporate customer satisfaction information into service improvement efforts.

- Perform fire inspections on 100% of the high-risk facilities this year and on 30-50% of the facilities that the Fire Code authorizes for inspection.

- Implement appropriate fees for business inspections to offset inspection program expenses, allowing the City to maximize resources for emergency services.

- Perform hazardous materials inspections on 100% of high risk and underground storage tank facilities and 30% or more of the remaining HazMat facilities.

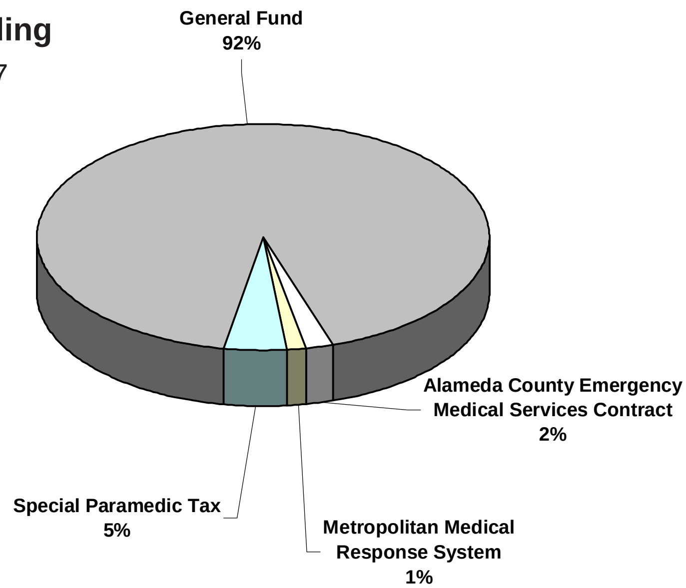
- Recruit 100 new businesses into the Fire Prevention Bureau Programs and provide education and direction related to California Fire Code and hazardous materials regulatory compliance requirements.

- Finalize the Hazardous Material Area Plan, which integrates the City's capabilities with those of other area public agencies, and clarifies the City's role in the event of a hazardous materials emergency.

- Post fire inspection forms online to increase customer convenience.

## Fire Sources of Funding

FY 2003/04: $23,103,157




## Fire Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 20,770,908 | $ 16,740,212 | $ 20,077,159 | $ 19,337,435 | $ 20,282,951 | $ 19,615,006 |
| Operating Expenditures | 1,608,713 | 1,643,665 | 1,111,480 | 1,089,084 | 792,089 | 1,290,798 |
| Capital Expenditures | 172,550 | 435,644 | 1,250,297 | 283,224 | 225,369 | 210,128 |
| Indirect Expense Allocation** | n/a | n/a | 2,172,991 | 1,967,130 | 1,967,134 | 1,987,225 |
| **TOTAL EXPENDITURES** | **$ 22,552,171** | **$ 18,819,521** | **$ 24,611,927** | **$ 22,676,873** | **$ 23,267,543** | **$ 23,103,157** |
| | | | % increase/(decrease) from FY 2002/03 | | | (0.7%) |

*** 2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

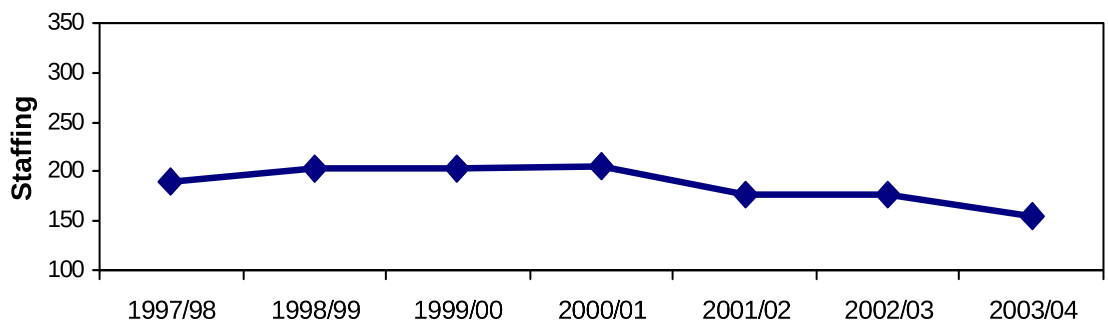
**** Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes and Strategies for Transition

The FY 2003/04 Fire budget is $164,386 (or .7%) less than the FY 2002/03 adjusted budget. The number of authorized full-time equivalent (FTE) positions is being reduced from 176 to 157.6, with 12 sworn and 6.4 non-sworn FTEs being eliminated. Because 21 positions are being eliminated mid-year and are only budgeted for part of the year, the total number of positions eliminated is greater than the reduction in FTEs noted above. (A detailed list of citywide position changes can be found on pages 63-64.)

Because of significantly reduced funding, the Fire Department closed Fire Station 11 in the West Industrial Area in February 2003 and eliminated one of 13 emergency response companies. Station 11 was recommended for closure because the high building vacancy rate in the district resulted in a very low call volume during 2002. The district is primarily comprised of commercial buildings, which are required to have higher levels of built-in fire protection, including automatic fire sprinklers and early alerting devices. A second fire company (and an additional 10 firefighter positions) will be eliminated by mid-February to further reduce expenses. In addition, the City will join a regional consortium for fire dispatch services in order to ensure the highest level of public safety communications at a substantially reduced cost. The department will also reduce management and staff positions, employee training, Paramedic Program medical oversight, public education, and disaster preparedness efforts in order to concentrate its resources and staffing in core emergency services. With the reorganization of the Maintenance Division, the Hazardous Materials unit formerly in Maintenance will become part of the Fire Department's Fire Prevention/ Hazardous Materials Division. One Management Analyst II, budgeted in the Maintenance Division in FY 2002/03, has been transferred to the Fire Department in FY 2003/04.

**Fire Department Historical Authorized Staffing**




**Note**: The staffing decrease in 2001/02 reflects disengagement of the Union City Fire Contract.

Staffing by Function
FY 2003/04
157.6 Permanent Full-Time Equivalents

**Fire**

**Chief's Office**
Fire Chief 1.0
Division Chief 2.0
Fire Captain 1.0

**Administration / Personnel**
Business Manager 1.0
Support Specialist 6.0

**Operations**
Division Chief 1.0
Fire Captain II 6.0
Fire Captain 38.4
Fire Engineer 33.7
Firefighter 48.9
Dispatcher 6.6

**Emergency Medical Services and Training**
Division Chief 1.0
Nurse Educator 1.0
Fire Captain 2.0

**Fire Prevention**
Division Chief 1.0
Hazmat Program Manager 1.0
Fire Captain 1.0
Management Analyst II 1.0
Hazmat Technician 3.0
Sr Code Enforcement Officer 1.0

# Housing & Redevelopment

***Mission:*** *To foster commercial vitality in the Centerville, Irvington and Niles historic districts through public and private investment, to enable the economic development of the City's western industrial area through the construction of major infrastructure improvements and to improve, preserve and support the development of quality, affordable housing throughout the City of Fremont.*

**Description of Responsibilities and Services**

The department is responsible for carrying out the Fremont Redevelopment Agency's adopted Five-Year Implementation Plan. The focus of the Plan is to stimulate investment in the Centerville, Irvington, and Niles historic project areas and the western industrial area; support major infrastructure construction in support of this investment; and improve, preserve, and support the development of quality, affordable housing throughout the City of Fremont. The department develops and implements commercial property improvement programs and partners with property owners and businesses to encourage private investment. To build community stability over the long term and to strengthen neighborhoods, staff creates opportunities for the Redevelopment Agency to invest in quality affordable housing programs, support the expansion of new affordable housing development throughout the City of Fremont, and improve and preserve the community's supply of affordable housing. The Agency's Affordable Housing Strategy includes a Five-Point Housing Program that focuses the majority of funds on investment in new construction of rental housing for large families, people with special needs, and seniors.

**Service Objectives**

- In collaboration with other City staff, develop and implement a retail marketing strategy for the Centerville District to attract additional businesses and enhance retail diversity.

- Enter into a Disposition and Development Agreement for the Centerville Unified Site to ensure development of the site as an economic catalyst for the Centerville District.

- Complete the Bay Street Planning and Implementation Project in Irvington to encourage new investment and provide the basis for a business improvement district.

- Working with property owners, prospective investors, and other City staff, identify and promote development opportunities resulting from the Irvington Concept Plan and the new Housing Element.

- Develop an agreement with BART to ensure the necessary preliminary engineering, and possibly foundation construction, in support of an Irvington BART station in conjunction with the Warm Springs Extension.

- Implement parking strategies in Niles to stimulate economic development and private investment if sufficient property owner interest is demonstrated.

- Support the implementation of zoning modifications recommended in the Niles Concept Plan to encourage new investment in the district.
- Develop and implement an enhanced Commercial Rehabilitation Loan program to encourage façade investment by private property owners in the historic districts.
- Negotiate financing agreements with at least three affordable housing developers to create new or substantially rehabilitated affordable multifamily housing developments.
- Explore the feasibility of developing a jobs/housing linkage fee to provide additional financial resources to support the construction of affordable housing.
- Strengthen the Housing Preservation Program to ensure that existing affordable housing with expiring affordability restrictions remains affordable for the longest feasible time.

## Project Appropriations Plan

The Project Appropriations Plan lists projects for which the Redevelopment Agency is requesting new appropriations. It is not a complete list of all previously funded Agency projects. Although the Plan shows funding estimates for five years, the Agency Board approves appropriations only for the new budget year, FY 2003/04.

It is significant that only four projects are listed for new appropriations of non-housing funds and that all four projects support the development of regional transportation, with no new appropriations proposed for projects in Fremont's historic redevelopment project areas (Centerville, Irvington and Niles). The new appropriations support the construction of I-880 interchanges (Dixon Landing Road and Mission Boulevard), the Washington Boulevard grade separation, and a contingency account for potential cost increases in these projects.

Not only are there no new appropriations proposed for the historic districts, but the Agency has had to suspend expenditures on a number of existing projects with previous appropriations because of two key factors: substantial cost increases in right-of-way acquisition and construction for the regional transportation projects, and the continued vulnerability of redevelopment funding to State takeaway to mitigate the State's budget deficit.

The Housing portion of the Project Appropriations Plan includes expenditures for affordable housing that are funded in part by $16.5 million in housing bonds issued by the Agency in June 2003. It is likely that the 20% set-aside for the Housing program would be computed on total Agency tax increment revenue, before subtracting the State's potential ERAF takeaway. As a result, funding for the Housing program appears more secure than non-housing Agency funds.

## Redevelopment Agency Project Appropriations Plan FY 2003/04 - FY 2007/08 - Proposed

**This list includes only projects for which new appropriations are being requested. It is not a comprehensive list of all Redevelopment Agency projects.**

| | | | Redevelopment Agency Appropriations (Thousands of Dollars) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Total through FY 2002/03 | | | Estimated | | | | |
| | Project/Program Name | Project Area | Approp. | Estimated Actual (2) | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | Total Projected Agency Allocation (1) |
| **Non-Housing Funds** | | | | | | | | | | |
| 1 | Contingencies for Interchanges/Grade Separation (2) | Industrial | 10,000 | - | 1,100 | | | | | 11,100 |
| 2 | I880/Dixon Landing Rd Interchange | Industrial | 17,564 | 17,506 | 825 | | | | | 18,389 |
| 3 | I880/Mission/Warren Interchange | Industrial | 41,630 | 3,459 | 2,800 | 2,313 | 8,300 | | | 55,043 |
| 4 | Washington Grade Separation | Irvington | 13,395 | 10,618 | 5,500 | 5,987 | | | | 24,882 |
| | | | **$82,589** | **$ 31,583** | **$10,225** | **$ 8,300** | **$8,300** | **$ -** | **$ -** | **109,414** |
| **Housing Funds** | | | | | | | | | | - |
| | | | | | | | | | | - |
| 1 | Housing - Apartment Acquisition & Rehabilitation | | $ 3,000 | $ 3,000 | $ - | $ 1,500 | $ - | $ 500 | $ - | 5,000 |
| 2 | Housing - First Time Homebuyers | | $ 1,420 | $ 1,163 | 600 | 600 | 600 | 600 | 600 | 4,420 |
| 3 | Housing - Increasing Supply (New Construction) | | $14,014 | $ 10,391 | 18,250 | 8,800 | - | - | - | 41,064 |
| 4 | Housing - Preservation of At-Risk Housing | | $ - | $ - | 300 | 300 | 300 | 300 | 300 | 1,500 |
| 5 | Housing - Single Family Home Rehabilitation | | $ 951 | $ 674 | 400 | 400 | 400 | 400 | 400 | 2,951 |
| | | | **$19,385** | **$ 15,228** | **$19,550** | **$11,600** | **$1,300** | **$1,800** | **$1,300** | **54,935** |

Notes:

(1) "Total Proposed Allocation" is the sum of the "Appropriated Total through FY 2002/03" and the "Estimated" for FY 2003-04 through FY 2007-08. It is proposed that $11,487,000 of Agency allocation be transferred from the Mission Interchange project to the Washington Grade Separation project. Proposed allocations for FY 2003/04 and FY 2004/05 reflect this transfer.

(2) "Estimated actual" includes actual expenditures for FY 1998/99 through FY 2001/02 plus estimated expenditures for FY 2002/03. For some "project" accounts such as contingencies and reserves money is not spent from that account but rather the appropriation

## Major Redevelopment Agency Projects

An overarching service objective includes implementation of the annual Project Appropriations Plan, which identifies projects for which new Redevelopment Agency appropriations are proposed. The Project Appropriations Plan is approved annually and includes funding estimates for a five-year period. The Redevelopment Agency Board approval of the Project Appropriations Plan authorizes only the project appropriations shown for FY 2003/04.

The Plan serves much the same purpose for the Redevelopment Agency that the Capital Improvement Plan/Integrated Capital Assets Plan (CIP/ICAP) serves for the City. In fact, the Agency's projects were included for informational purposes in the City's CIP/ICAP that was adopted in June 2001. New allocations to Redevelopment (non-housing) activities have been reduced in anticipation of a potential State shift of redevelopment agency property tax increment revenue (non-housing) as a component of the State's FY 2003/04 budget approval.

Redevelopment and Affordable Housing capital projects underway or planned during FY 2003/04 that have been funded through past Redevelopment Agency Project Appropriations Plans (most funded in past years) include:

**Centerville**

***Centerville Unified Redevelopment Area:*** The Agency is in the process of selecting a preferred developer to plan and develop a new mixed-use development of this six-acre site. The Agency has acquired two of three parcels in this unified site, relocated tenants, and conducted environmental work to prepare the site for development. Selection of a developer is anticipated in late summer, 2003. Development is expected to begin in 2004. The Agency has appropriated $10.2 million to this project.

***Widening of Central Avenue:*** Commencement of utility under grounding and street widening is expected to begin in 2004. The Agency has appropriated $1.8 million to this project.

**Niles**

***Union Pacific Study Area Master Plan:*** The Agency is working on a master plan for this area, including the environmental clean up that will be necessary for the project, and negotiating with Union Pacific on the acquisition of the property through eminent domain. The Agency has appropriated $1.4 million to this project.

***New Entry Signs:*** Entry signs to Niles have been designed and installation is anticipated in Summer 2003. The Agency has appropriated $220,000 to this project.

**Irvington**

***Bay Street Planning and Implementation Project:*** The Agency was awarded a Metropolitan Transportation Commission (MTC) planning grant to modify zoning requirements, develop detailed streetscape designs, and develop a business improvement district to generate property owner investment in the area. The goal is to create a pedestrian retail district on Bay Street. Work has commenced, with design plans to be completed in early 2004. The Agency has appropriated $700,000 to this project.

***Washington Boulevard Grade Separation:*** The Agency is contributing funding for this project, which will support the BART Warm Springs Extension and improve traffic circulation in the area. Construction is anticipated to commence in FY 2003/04. The Agency appropriated $13.4 million to this project through FY 2002/03, and is appropriating $5.5 million in FY 2003/04.

**Industrial Area**

***Dixon Landing Interchange:*** This project, partially financed with Agency funds, is nearing completion. The Agency has appropriated $17.6 million to this project.

***Mission Boulevard Interchange:*** This project is scheduled to go to bid later this year. The Agency has appropriated $41.6 million to this project.

**Affordable Housing**

***Bridgeway East Expansion:*** The Agency has approved this 18-unit affordable apartment complex in the Irvington project area on Bay Street. The Tri-City Homeless Coalition, the owner/developer, is pursuing additional State financing that will supplement the Agency's commitment to the project. The Agency has appropriated $2.8 million to this proposed development.

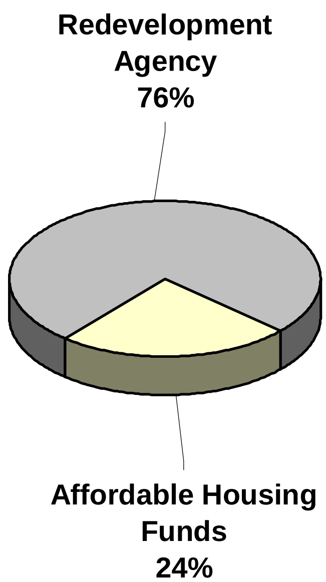
***Affirmed Housing Centerville Development:*** The Agency approved a pre-development loan to assist planning efforts for an affordable apartment complex consisting of approximately 130 units in the Centerville Redevelopment neighborhood bounded by Maple, Hansen, and Baine Avenue. The units range in size from studios to three bedroom units. Additionally, the Agency approved acquiring a two-acre neighboring parcel to support this effort. The Agency has appropriated $3.3 million to this development.

***Fremont Oak Gardens:*** Located on Driscoll Avenue behind St. Anne's Episcopal Church, this 51-unit development for deaf and other seniors is under construction. The Agency has appropriated $3.3 million to this development.

***Fremont Vista:*** This approved 100-unit senior assisted-living facility on Mission Boulevard will reserve 20 units for very low and lower income seniors. The project is under construction. The Agency has appropriated $2.4 million to this development.

**Office of Housing & Redevelopment Sources of Funding**

FY 2003/04: $76,991,292



## Affordable Housing

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 390,202 | $ 371,371 | $ 398,291 | $ 532,116 | $ 597,037 | $ 706,083 |
| Operating Expenditures | 526,984 | 160,443 | 900,048 | 253,394 | 276,250 | 1,134,683 |
| Capital Expenditures | 1,386,125 | 1,689,969 | 2,641,941 | 9,826,441 | 13,462,715 | 19,550,000 |
| Indirect Expense Allocation** | n/a | n/a | 130,620 | 149,167 | 192,791 | 163,428 |
| **TOTAL EXPENDITURES** | **$ 2,303,311** | **$ 2,221,783** | **$ 4,070,900** | **$ 10,761,118** | **$ 14,528,793** | **$ 21,554,194** |

% increase/(decrease) from FY 2002/03 48.4%

**Note:** The Affordable Housing Division budget contains $235,000 of non-RDA funding, the source for which is multi-family housing special revenue. (See page 103).

*** 2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

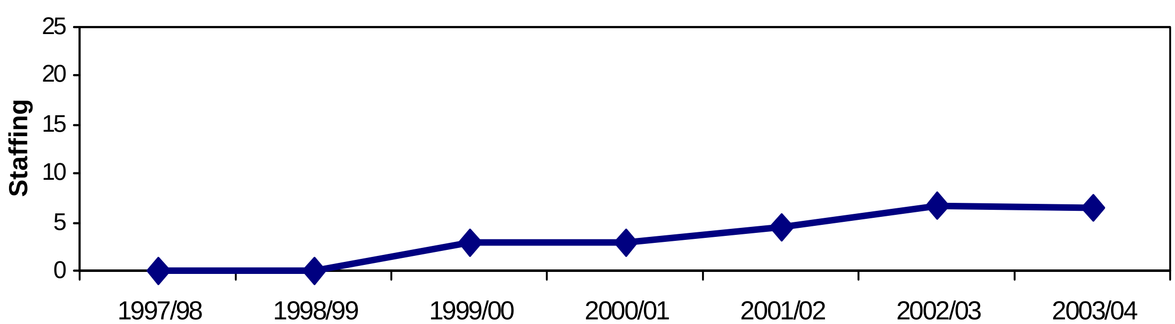
**** Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Budget Changes and Strategies for Transition

The FY 2003/04 Affordable Housing budget is $7,025,401 (or 48.4%) more than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 6.63 to 6.48. (A detailed list of citywide position changes can be found on pages 63-64).

The 48.4% increase in Affordable Housing expenditures reflects anticipated contributions to new affordable housing developments. The Agency anticipates issuing $16.5 million of housing bonds in June 2003 to support this investment. The bonds will be repaid over ten years from the Affordable Housing 20% Set-Aside Revenues. No City General Fund revenue is used in the Affordable Housing program.

### Affordable Housing Historical Authorized Staffing




**Note:** Development of the new Office of Neighborhoods resulted in the transfer of staff previously shown in other departments.

## Redevelopment Expenditures
FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 509,185 | $ 492,474 | $ 631,142 | $ 837,274 | $ 952,946 | $ 775,320 |
| Operating Expenditures | 7,089,475 | 13,274,236 | 10,499,482 | 9,359,846 | 9,593,753 | 10,994,237 |
| Capital Expenditures | 4,216,930 | 20,011,697 | 9,917,497 | 29,881,534 | 43,953,284 | 43,240,662 |
| Indirect Expense Allocation** | n/a | n/a | 307,328 | 399,741 | 504,770 | 426,879 |
| **TOTAL EXPENDITURES** | **$ 11,815,590** | **$ 33,778,407** | **$ 21,355,449** | **$ 40,478,395** | **$ 55,004,753** | **$ 55,437,098** |
| | | | | % increase/(decrease) from FY 2002/03 | | 0.8% |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Budget Changes and Strategies for Transition

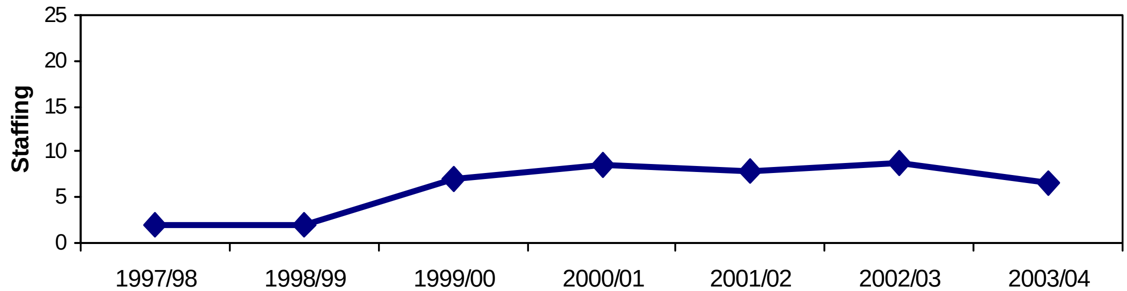
The FY 2003/04 Redevelopment Agency budget is $432,345 (or .8%) more than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 8.7 to 6.56. (A detailed list of citywide position changes can be found on pages 63-64).

This department, previously known as the Office of Neighborhoods, has been restructured and renamed. The Neighborhood Resources Manager and one Support Specialist have moved to a new Office of Neighborhoods unit in the Police Department. This unit, which also includes three Community Engagement Specialists from the Police Department and the Volunteer Coordinator formerly housed in Human Services, will manage the City's community engagement initiatives. This change necessitated a transfer of $520,000 in General Fund dollars from the former Office of Neighborhoods to the Police Department.

Proposed FY 2003/04 Redevelopment expenditures include a projected transfer of $2.9 million to the State of California related to the Educational Revenue Augmentation Fund and the disbursal of previously appropriated funds for I-880 interchange construction. No City General Fund revenue is used in the Redevelopment program.

In addition, the salary and benefits budget is lower due to the elimination of one Support Specialist position and the part-time assignment of one Redevelopment Agency Project Manager to the implementation of the Fire Safety Bond projects. Funding for this position is now split between the Redevelopment Agency and the bond project.

**Redevelopment Historical Authorized Staffing**




**Note:** Development of the new Office of Neighborhoods resulted in the transfer of staff previously shown in other departments.

Staffing by Function
FY 2003/04
13.04 Permanent FullTime Equivalents

## Housing & Redevelopment

**Redevelopment**
Assistant City Manager 0.2
Redevelopment Agency Director 0.75
Economic Development Director 0.21
Deputy Director/DES 0.05
Redevelopment & Housing Project Manager 2.5
Business Manager 0.75
Support Specialist 2.1

**Affordable Housing**
Assistant City Manager 0.08
Redevelopment Agency Director 0.25
Deputy RDA Director/Housing 1.0
Redevelopment & Housing Project Mgr 1.0
Business Manager 0.25
Housing Programs Coordinator 1.0
Housing Counselor 1.0
Support Specialist 1.9

# Human Services

***Mission:** Human Services staff work to support a vibrant community through the creation and maintenance of services that empower individuals, strengthen families, encourage self-sufficiency, enhance neighborhoods, and foster a high quality of life.*

## Description of Responsibilities and Services

The Human Services Department offers a range of services to the community, including family counseling and support services designed to bring families together and to help them become self-sufficient. A continuum of services for well-to-frail seniors is provided to help elders remain independent and in their own homes, including a meal program, adult education, and health screening at the Senior Center. Personalized service coordination for frail elderly includes home visits, Senior Peer Counseling, support services for caregivers, and local paratransit. Human Services also oversees the Fremont Family Resource Center (FRC), a partnership that co-locates 22 organizations (State, County, City and nonprofit) for one-stop service access. The FRC is host to a Volunteer Income Tax Assistance program serving low-income families, and integrated case management services for families facing multiple barriers to self-sufficiency. The FRC also works in the Cabrillo neighborhood to help strengthen community and parent involvement in the local schools, and the FRC reaches out to all people through community ethnic outreach events. The Department's Youth and Family Services Division provides counseling services to improve family relationships during times of stress or crisis with special emphasis on teen related issues, school problems and truancy, and children less than five years of age. Activities include a variety of parent workshops and support groups. School-based services include individual and group counseling for students at 12-14 Fremont schools. The Department continually develops new counseling groups, support groups, and educational programs based on feedback from clients.

Human Services is responsible for administration of the City's social service and federal Community Development Block Grant (CDBG) funds, and provides technical assistance to agencies receiving grants. It is also staff to the Human Relations Commission, Senior Citizens Commission, Paratransit Advisory Committee, and Citizens Community Development Block Grant Advisory Committee.

## Service Objectives

- Explore innovative funding methods, including fundraising and sponsorship, to maintain Senior Center programs in light of reduced General Fund support.

- Seek new sources of reimbursement, such as the Early and Periodic Diagnostic and Treatment program, to insure Human Services can continue to meet the needs of youths, seniors, and their families.

- Using funding available through Alameda County Measure B, increase the quantity and enhance the quality of paratransit services provided to seniors and disabled adults in Fremont.

- Secure new funding to continue the Infant Toddler Program, which offers mental health services in Spanish and English for parents of infants and preschool children (ages 0 to 4).

- Conduct a series of community presentations to increase public awareness of aging and cultural trends and to engage community organizations in helping to address senior issues.

- In coordination with Fremont Unified School District and other service providers, develop anger management and social skills programs to reduce violence and gang-related problems on school campuses.

- Continue to implement the Homeless Outreach for People Empowerment (HOPE) project, which identifies homeless persons or families living on the street and in need of comprehensive services.

- Seek additional funding from external sources to ensure continuation of on-site counseling in Fremont schools.

- Increase attendance at workshops that promote healthy families through improved marketing and a streamlined registration process.

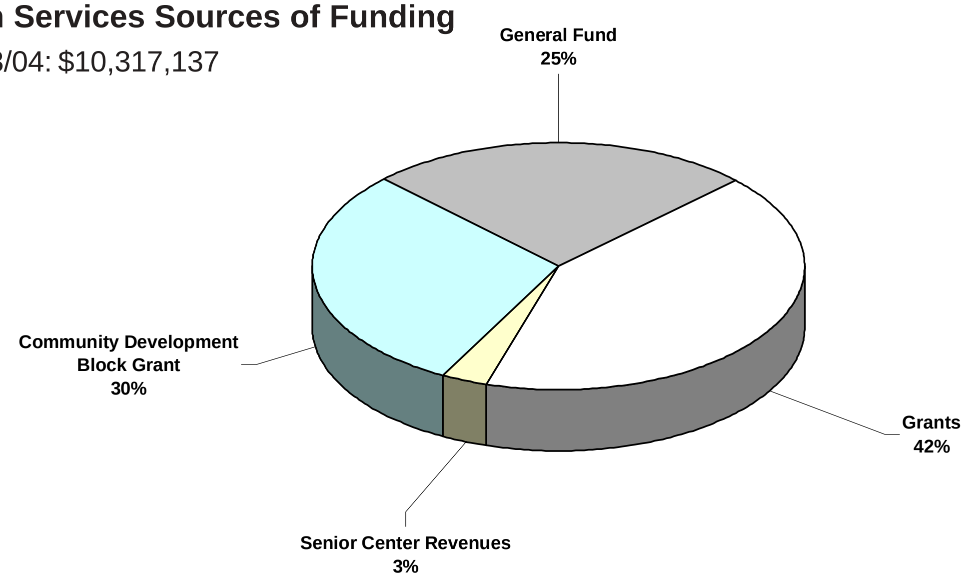
- Support the Human Relations Commission's efforts to raise funds for Make-a-Difference Day, a national day of volunteering to promote the idea of "unity through community service."

- Implement a new clinical record keeping system to improve the department's ability to measure service needs and outcomes, which will inform decisions about service delivery.

- Administer a quarterly customer satisfaction survey to Family Resource Center clients to help measure progress toward the FRC's goals and improve services.

**Human Services Sources of Funding**

FY 2003/04: $10,317,137



## Human Services Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 2,593,501 | $ 2,804,693 | $ 3,042,465 | $ 3,551,118 | $ 3,416,773 | $ 3,685,028 |
| Operating Expenditures | 2,524,511 | 2,659,167 | 4,114,208 | 4,172,067 | 5,682,030 | 5,889,896 |
| Capital Expenditures | 159,130 | 18,274 | 131,975 | 446,633 | 413,769 | 446,633 |
| Indirect Expense Allocation** | n/a | n/a | 248,096 | 526,530 | 354,237 | 295,580 |
| **TOTAL EXPENDITURES** | **$ 5,277,142** | **$ 5,482,134** | **$ 7,536,744** | **$ 8,696,348** | **$ 9,866,809** | **$ 10,317,137** |

% increase/(decrease) from FY 2002/03 4.6%

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

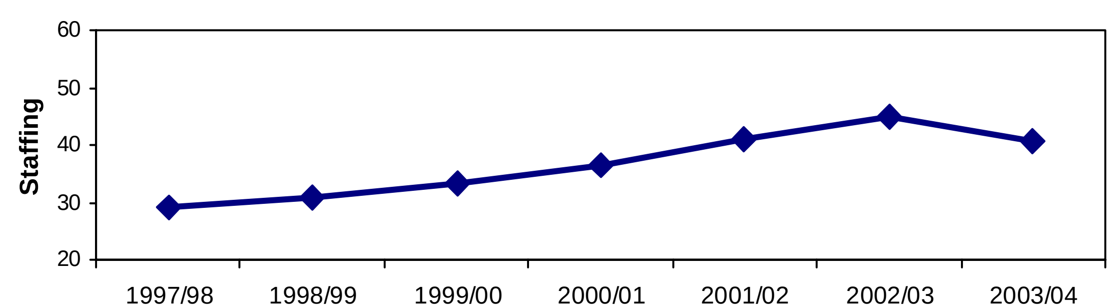
** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes and Strategies for Transition

The FY 2003/04 Human Services budget is $450,328 (or 4.6%) more than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 44.95 to 40.57. (A detailed list of citywide position changes can be found on pages 63-64).

General Fund contributions to the Human Services Department leverage outside public and private funding, requiring the General Fund to provide just 33% of the department's budget. The increase in the Department's operating expenditures includes an increase in Community Development Block Grant funding for FY 2003/04, as well as increases in a variety of other grants. Absent this additional outside funding, operating expenditures would actually be decreasing. In FY 2003/04, General Fund support for the department is being reduced by 17.2%. With the reduction in General Fund support and staff, the department will eliminate the Youth Opportunity and Employment Program, the intergenerational Crossing the Bridge Program, and the evening meal program at the Senior Center. In addition, the Department will increase the cost of lunch at the Senior Center and reduce social service grants to local nonprofits by 17.4%. Several of the Department's outside funding sources are also facing funding problems and may need to withdraw some or all of their support for the City's programs. Should these funds disappear, the City will be forced to make additional reductions in the Human Services Department's budget.

### Human Services Historical Authorized Staffing



Staffing by Function
FY 2003/04
40.57 Permanent Full-Time Equivalents

## Human Services
Human Services Director 1.0
Deputy Human Services Director .9
Support Specialist 2.0

**Youth and Family Services**
Family Services Administrator 1.0
Clinical Supervisor 1.0
Counselor 5.67
Support Specialist 2.0
*Counseling interns**

**Family Resource Center**
Family Resource Center Administrator 1.0
Case Manager 2.2
Clinical Supervisor 1.0
Support Specialist 1.0
Community Engagement Specialist 1.0
*Counselor 1.0**

**CDBG Services**
CDBG Administrator 1.0
Management Analyst II 1.0
Support Specialist 1.0

**Senior Services**
Family Services Administrator 1.0

**Senior Supportive Services**
Clinical Supervisor 1.0
Case Manager 5.3
Counselor 1.5
Support Specialist 2.0
*Outreach Worker 1.5**

**Senior Center**
Senior Center Manager 1.0
Program Coordinator 1.0
Chef / Food Services Manager 1.0
Support Specialist 2.0
*Building Attendants**

**Paratransit**
Management Analyst II 1.0
Support Specialist 1.0
*Outreach Worker 2.0**

**Temporary*

# Maintenance

***Mission:*** *To preserve community assets by maintaining City facilities and the physical environment.*

**Description of Responsibilities and Services**

The Maintenance Division maintains City-owned infrastructure by providing:

preventative maintenance that enhances capital preservation, safety activities, housekeeping activities, and (whenever practical) aesthetic enhancements. These functions are carried out through street maintenance, median maintenance, urban forestry, park maintenance, public buildings maintenance, fleet maintenance, and hazardous material handling for City facilities.

**Service Objectives**

- Complete $700,000 pavement cape seal project on approximately 135 streets to improve traffic safety and preserve the condition of streets throughout the community.

- Complete construction of the new Maintenance Center and move maintenance operations into the facility by June 2004.

- Replace security equipment in the Senior Center, Teen Center, and other City facilities to minimize maintenance requirements and reduce false alarms.

- Improve the convenience of using Compressed Natural Gas (CNG) as an alternative to gasoline-fueled vehicles by installing a fast-fill Compressed Natural Gas (CNG) station at the new Maintenance Service Center.

- Transition Park Maintenance service delivery to the new Parks & Recreation Department and establish revised base service standards for safety, turf maintenance, general park maintenance, and support of recreation enterprise activities.

- Institute service efficiencies by incorporating low maintenance landscaping plans into all new park designs and landscaping improvements

- Transition Streets, Median, and Urban Forestry Maintenance to Development and Environmental Services. Transition Fleet Maintenance and Building Maintenance to the Administrative Systems Group.

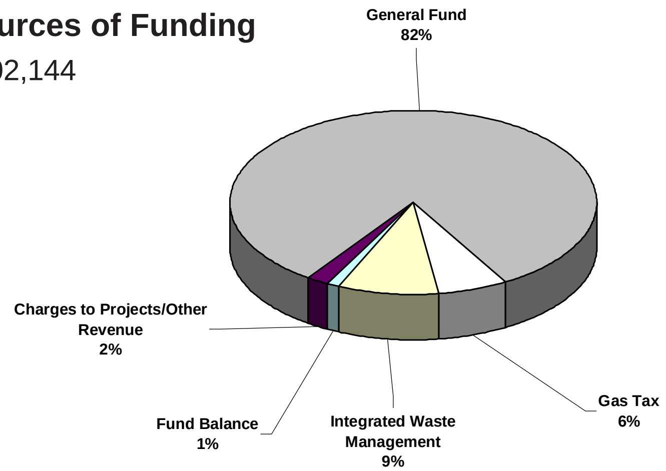
**Major Changes and Strategies for Transition**

For the last seven years, the Maintenance Division has been part of the Maintenance and Recreation Services Department. This department will be reorganized as of FY 2003/04, with Street Maintenance, Median Maintenance, and Urban Forestry combining with the Engineering Division in the Development and Environmental Services Department. The Park Maintenance unit will become part of the new Parks and Recreation Department, while the Hazardous Materials unit will be combined with the Fire Department's Fire Prevention/Hazardous Materials Division. Fleet Maintenance and Public Buildings Maintenance will become part of the Administrative Systems Group. Increased funding from the Integrated

Waste Management fee will be used to pay for street sweeping, leaf removal, debris pick-up, litter and trash collection, and green waste processing. The reduction in staff and the reorganization of the Division will require the Division to focus on basic safety and capital preservation, while reducing or eliminating certain housekeeping and aesthetic support activities. This increase in deferred maintenance of City assets will lead to a deterioration of the City's public buildings, streets, trees, medians, and parks over the next several years. New revenue sources will be required to pay for deferred maintenance and to regain an effective maintenance schedule to protect the community's infrastructure and property values.

## Maintenance Sources of Funding

FY 2003/04: $21,202,144




## Maintenance Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04*** Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 8,248,193 | $ 8,754,659 | $ 9,818,297 | $ 10,826,503 | $ 10,203,202 | |
| Operating Expenditures | 6,531,653 | 7,012,892 | 7,225,697 | 7,303,825 | 7,941,008 | |
| Capital Expenditures | 852,127 | 260,413 | 781,803 | 312,996 | 264,437 | |
| Indirect Expense Allocation** | n/a | n/a | 3,507,990 | 3,647,127 | 3,736,086 | |
| **TOTAL EXPENDITURES** | **$ 15,631,973** | **$ 16,027,964** | **$ 21,333,787** | **$ 22,090,451** | **$ 22,144,733** | |

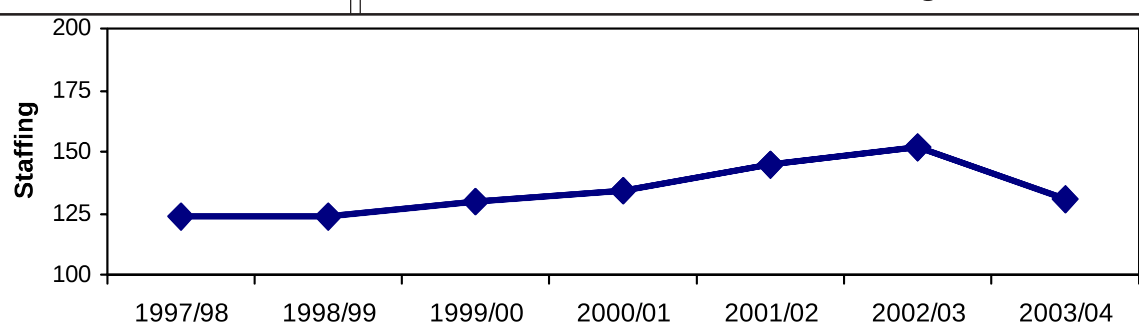
% increase/(decrease) from FY 2002/03

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

*****Adopted Budget:** Because Maintenance is reorganized in FY 2003/04, the proposed budget is displayed by functional unit on the pages that follow.

### Maintenance Historical Authorized Staffing



## Streets, Median & Urban Forestry Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | | | | $ 3,997,836 | $ 3,688,810 | $ 3,911,649 |
| Operating Expenditures | | | | 2,116,466 | 2,268,082 | 2,409,790 |
| Capital Expenditures | | | | 60,715 | 39,004 | 11,000 |
| Indirect Expense Allocation** | | | | 996,712 | 1,021,274 | 1,024,665 |
| **TOTAL EXPENDITURES** | **$ -** | **$ -** | **$ -** | **$ 7,171,729** | **$ 7,017,170** | **$ 7,357,104** |

In FY 1999/00, FY 2000/01, and FY 2001/02, expenditures for this unit were included in the larger Maintenance Division budget shown on page 148. The Maintenance Division is being reorganized for FY 2003/04.

% increase/(decrease) from FY 2002/03 4.8%

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

*****Estimated Actual:** For FY 2002/03, the spending authority for the Maintenance budget resided at the fund level, not within each functional area. As shown on page 148, spending for Maintenance for FY 2002/03 is expected to be within budgeted amounts.

### Major Changes

The FY 2003/04 Streets, Median & Urban Forestry budget is $339,934 (or 4.8%) higher than the FY 2002/03 adjusted budget for these units. (In FY 2002/03, Street Maintenance, Median Maintenance, and Urban Forestry were three separate units within the Maintenance Division.) The number of authorized positions is being reduced from 31 to 28. (A detailed list of citywide position changes can be found on pages 63-64).

Salaries and benefits are increasing as a result of negotiated bargaining unit agreements. Operating expenditures are increasing because of normal adjustments for inflation.

Staffing by Function
FY 2003/04
28 Permanent Full-Time Equivalents

Development & Environmental Services

Street Maint. Superintendent 1.0
Street Maint. Supervisor 1.0

Patch Crews
- Street Field Supervisor 1.0
- Street Maint. Worker II 4.0
- Street Maint. Worker I 3.0

Traffic Safety
- Street Field Supervisor 1.0
- Street Maint. Worker II 4.0
- Street Maint. Worker I 5.0

Street Sanitation
- Street Field Supervisor 1.0
- Street Maint. Worker II 6.0
- Street Maint. Worker I 1.0

## Parks Maintenance Expenditures

FY 2003/04

In FY 1999/00, FY 2000/01, and FY 2001/02, expenditures for this unit were included in the larger Maintenance Division budget shown on page 148. The Maintenance Division is being reorganized for FY 2003/04.

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | | | | $ 2,679,355 | $ 2,717,169 | $ 2,704,112 |
| Operating Expenditures | | | | 962,719 | 1,098,121 | 966,900 |
| Capital Expenditures | | | | 47,488 | 19,886 | 8,000 |
| Indirect Expense Allocation** | | | | 608,988 | 661,134 | 612,316 |
| **TOTAL EXPENDITURES** | **$ -** | **$ -** | **$ -** | **$ 4,298,550** | **$ 4,496,310** | **$ 4,291,328** |
| % increase/(decrease) from FY 2002/03 | | | | | | (4.6%) |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes

The FY 2003/04 Parks Maintenance budget is $204,982 (or 4.6%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 71.5 to 60.5 (A detailed list of citywide position changes can be found on pages 63-64).

Most of the reduction in the Division's budget can be attributed to the elimination of 11 positions and reductions in operating expenditures.

### Staffing by Function
FY 2003/04
60.5 Permanent Full-Time Equivalents

Parks & Recreation

Park Superintendent 0.5
Park Maintenance Supervisor 2.0

Tree Crews
- Park Field Supervisor 2.0
- Park Maint. Worker II 6.0
- Park Maint. Worker I 2.0

Median Crews
- Park Field Supervisor 2.0
- Park Maint. Worker II 4.0
- Park Maint. Worker I 8.0

Central Park
- Park Field Supervisor 1.0
- Park Maint. Worker II 3.0
- Park Maint. Worker I 7.0

North End Parks
- Park Field Supervisor 1.0
- Park Maint. Worker II 2.0
- Park Maint. Worker I 3.0

South End Parks
- Park Field Supervisor 1.0
- Park Maint. Worker II 3.0
- Park Maint. Worker I 4.0

Irrigation
- Park Field Supervisor 0.5
- Park Maint. Worker II 1.0
- Park Maint. Worker I 2.0

Mowers/Construction/Graffiti/Greenwaste
- Park Field Supervisor 0.5
- Park Maint. Worker II 2.0
- Park Maint. Worker I 2.0
- Park Equipment Mechanic 1.0

## Public Buildings Expenditures
FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | In FY 1999/00, FY 2000/01, and FY 2001/02, expenditures for this unit were included in the larger Maintenance Division budget shown on page 148. The Maintenance Division is being reorganized for FY 2003/04. | | | $ 1,880,884 | $ 1,916,856 | $ 2,074,670 |
| Operating Expenditures | | | | 2,924,607 | 3,179,094 | 2,856,458 |
| Capital Expenditures | | | | 113,551 | 81,413 | 500 |
| Indirect Expense Allocation** | | | | 745,816 | 773,117 | 751,154 |
| **TOTAL EXPENDITURES** | **$ -** | **$ -** | **$ -** | **$ 5,664,858** | **$ 5,950,480** | **$ 5,682,782** |
| % increase/(decrease) from FY 2002/03 | | | | | | (4.5%) |

*** 2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the “Major General Fund Changes” section of this document.

**** Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

**Major Changes**

The FY 2003/04 Public Buildings budget is $267,698 (or 4.5%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 29 to 24 (A detailed list of citywide position changes can be found on pages 63-64).

Salaries and benefits are increasing slightly as a result of negotiated bargaining unit agreements. All other expenditures are decreasing.

Staffing by Function
Fiscal 2003/04
24 Permanent Full-Time Equivalents

Administrative Systems Office

- Public Buildings Superintendant 1.0
- Building Trades Supervisor 1.0
- Building Trades Field Supervisor 3.0
- Building Maintenance Specialist 1.0
- Building Trades Worker III 2.0
- Building Trades Worker II 12.0
- Building Trades Worker I 3.0
- Support Specialist 1.0

## Fleet Maintenance Expenditures
FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | | | | $ 958,127 | $ 953,050 | $ 1,054,381 |
| Operating Expenditures | | | | 957,281 | 999,493 | 1,022,000 |
| Capital Expenditures | | | | 40,542 | 65,024 | 16,000 |
| Indirect Expense Allocation** | | | | 295,371 | 336,718 | 314,925 |
| **TOTAL EXPENDITURES** | $ - | $ - | $ - | **$ 2,251,321** | **$ 2,354,285** | **$ 2,407,306** |

In FY 1999/00, FY 2000/01, and FY 2001/02, expenditures for this unit were included in the larger Maintenance Division budget shown on page 148. The Maintenance Division is being reorganized for FY 2003/04.

% increase/(decrease) from FY 2002/03 2.3%

*** 2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

**** Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes
The FY 2003/04 Fleet Maintenance budget is $53,201 (or 2.3%) more than the FY 2002/03 adjusted budget. The number of authorized positions is not changing in FY 2003/04. (A detailed list of citywide position changes can be found on pages 63-64).

Salaries and benefits are increasing as a result of negotiated bargaining unit agreements. Operating expenditures are increasing because of higher fuel costs.

Staffing by Function
FY 2003/04
14.0 Permanent Full-Time Equivalents

Administrative Systems Office

Fleet Superintendent 1.0
Auto Parts & Maint. Coordinator 1.0
Support Specialist 1.0
Fleet Supervisor 1.0
Lead Equipment Mechanic 1.0
Heavy Equipment Mech. II 4.0
Auto Equipment Mechanic I 2.0
Mechanic Assistant 3.0

## Maintenance Admin Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | | | | $ 1,183,452 | $ 803,769 | $ 579,791 |
| Operating Expenditures | | | | 97,571 | 151,305 | 71,600 |
| Capital Expenditures | | | | 50,700 | 59,110 | - |
| Indirect Expense Allocation** | | | | 948,346 | 891,821 | 812,233 |
| **TOTAL EXPENDITURES** | $ - | $ - | $ - | **$ 2,280,069** | **$ 1,906,005** | **$ 1,463,624** |

In FY 1999/00, FY 2000/01, and FY 2001/02, expenditures for this unit were included in the larger Maintenance Division budget shown on page 148. The Maintenance Division is being reorganized for FY 2003/04.

% increase/(decrease) from FY 2002/03 (23.2%)

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

*****Estimated Actual:** For FY 2002/03, the spending authority for the Maintenance budget resided at the fund level, not within each functional area. As shown on page 148, spending for Maintenance for FY 2002/03 is expected to be within budgeted amounts.

### Major Changes

The FY 2003/04 Maintenance Administration budget is $442,381 (or 23.2%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 7.5 to 5. (A detailed list of citywide position changes can be found on pages 63-64).

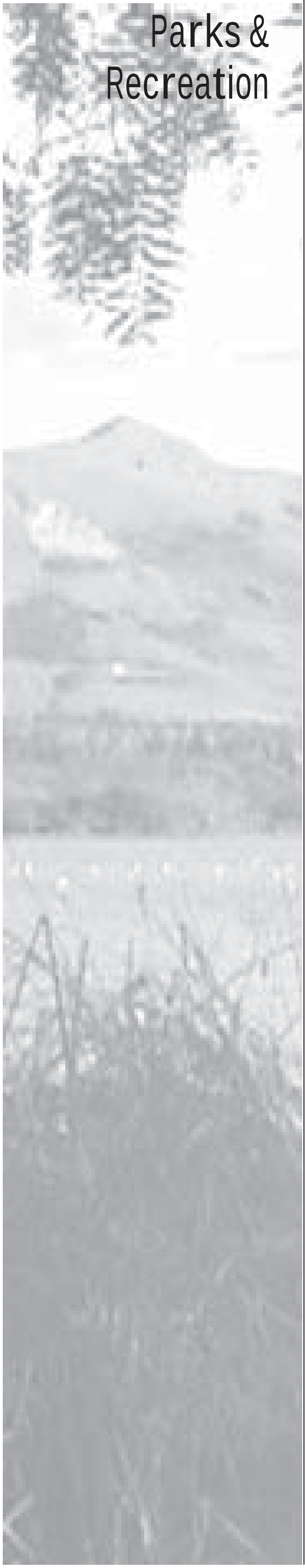
Salaries and benefits are decreasing as a result of the loss of staff positions, including 50% funding for the Director of Maintenance and Recreation (a position formerly funded by both the Maintenance Division and the Recreation Services Division), and full funding for the Deputy Director of Maintenance, both of whom are retiring in FY 2003/04. In addition, two half-time Support Specialist positions are being eliminated, and the Hazardous Materials Program (and one Management Analyst II) are moving to the Fire Department's Fire Prevention/Hazardous Materials Division.

Staffing by Function
FY 2003/04
5 Permanent Full-Time Equivalents

Development & Environmental Services

Management Analyst III 1.0
Support Specialist 4.0

# Parks & Recreation



**Mission:** *To ensure the citizens of Fremont receive friendly, valued customer services through the management of recreation facilities, the provision of a broad spectrum of recreation programs, park planning services, and the maintenance of City parks.*

## Description of Responsibilities and Services

The Parks and Recreation Department provides leisure activities that enhance the lives of residents and participants. The Department also manages public use of recreation facilities, oversees the park system, provides soft enforcement services through a small group of Park Rangers, and delivers park planning and maintenance services. The recreation functions, which are carried out primarily through the Recreation enterprise operation, include performing and visual arts, youth and adult sports, teen and youth programs, early childhood enrichment programs, park visitors services, as well as management of the community centers, special facilities, and historic sites. Staff provides support to the Recreation Commission and various other boards and commissions that advise the City Council. The Department also carries out capital and park planning and development projects, implements the Parks and Recreation Master Plan, and maintains the City's parks.

## Service Objectives

- In light of reduced General Fund support, evaluate particular programs that previously required General Fund support to ensure that they may generate sufficient external funding to cover the costs of operation.

- Reorganize Central Park Visitors' Services Center operations in order to achieve effective response to customer demand for service with reduced resources while growing the revenue-generating components of the operation.

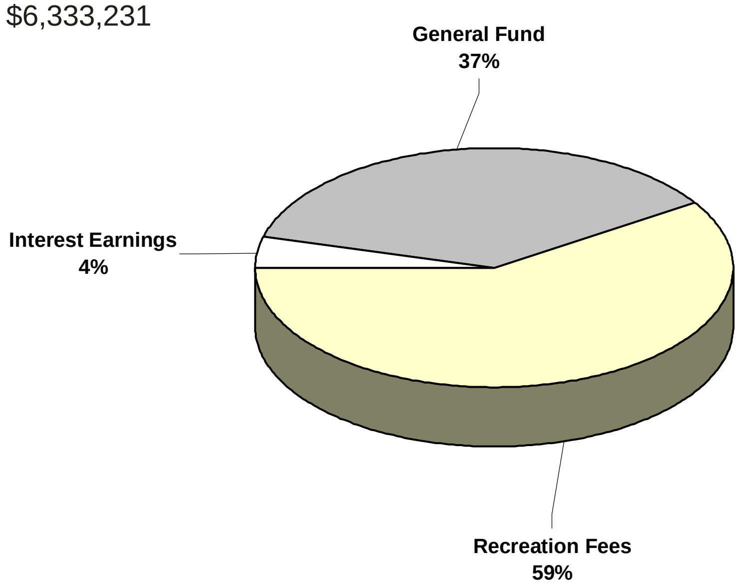
- Achieve balanced community access to the Teen Center and develop a support base for future program growth by maintaining and growing existing teen programs, supporting revenue-generating recreation programs, and facilitating community rental of the facility.

- Prepare marketing materials publicizing recreational amenities in city parks to increase community awareness and use of park facilities.

- Transition Park Maintenance service delivery to the new Parks & Recreation Department and establish revised base service standards for safety, turf maintenance, general park maintenance, and support of recreation enterprise activities.

## Parks & Recreation Sources of Funding

FY 2003/04: $6,333,231




## Recreation Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 3,348,112 | $ 3,727,582 | $ 3,915,492 | $ 4,117,287 | $ 4,264,420 | $ 4,063,459 |
| Operating Expenditures | 1,008,300 | 1,204,323 | 1,217,297 | 1,211,541 | 1,395,367 | 1,265,228 |
| Capital Expenditures | 71,267 | 32,642 | 39,898 | 8,200 | 73,837 | 6,337 |
| Indirect Expense Allocation** | n/a | n/a | 1,107,214 | 1,078,301 | 1,131,918 | 998,207 |
| **TOTAL EXPENDITURES** | **$ 4,427,679** | **$ 4,964,547** | **$ 6,279,901** | **$ 6,415,329** | **$ 6,865,542** | **$ 6,333,231** |

% increase/(decrease) from FY 2002/03 (7.8%)

**Note:** The table above reflects only expenditures for Recreation programs. The budget for Park Maintenance is displayed in the Maintenance section of this document.

*** 2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the “Major General Fund Changes” section of this document.

**** Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

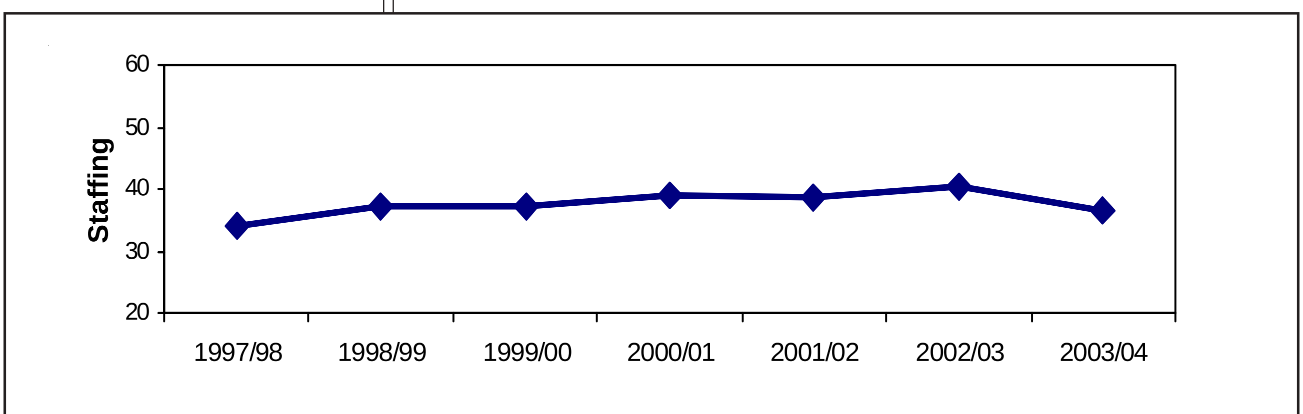
**Major Changes and Strategies for Transition**

The FY 2003/04 Parks and Recreation budget is $532,311 (or 7.8%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 40.25 to 36.6. Because two positions are being eliminated mid-year and are only budgeted for part of the year, the total number of positions eliminated is greater than the reduction in FTEs noted above. (A detailed list of citywide position changes can be found on pages 63-64.)

For the last seven years, the Recreation Services Division has been part of the Maintenance and Recreation Services Department. This department is being divided and reorganized as of FY 2003/04, with the Recreation Services Division combining with the Park Maintenance unit to form a smaller Parks and Recreation Department. (Information on the Park Maintenance unit's budget can be found on page 150.) Three of the department's top managers, the Director of Maintenance and Recreation Services, the Deputy Director of Recreation Services, and one of the Recreation Superintendents will be retiring within the next year.

The Department will continue to operate with a business model that relies on customer support for funding Recreation programs and activities, with the General Fund providing a subsidy for important operations that do not generate fee revenue. With a smaller General Fund contribution and fewer staff in FY 2003/04, the Department will reduce Park Ranger services, delay the opening of the Teen Center, increase use of the Recreation fund balance to pay for costs previously paid for by the General Fund, and eliminate funding for the Fremont Symphony, the Caravana Mexicana program, and the junior high after school grants.

**Recreation Historical Authorized Staffing**



Staffing by Function
FY 2003/04
36.1 Permanent Full-Time Equivalents

**Parks & Recreation**

**Administrative & Support Services**
Director .5
Deputy Director .5
Business Manager 1.0
Management Analyst II 1.0
Support Specialist 3.75

**Park Planning & Development**
Park Planning Manager 1.0

**Park Visitor Services/Security**
Supervising Park Ranger 1.0
Park Ranger 4.0
Support Specialist 1.0

**Recreation Services**
Recreation Superintendent 2.0
Recreation Supervisor II 6.0
Recreation Supervisor I 7.0
Facility & Supply Specialist 1.0
Facility & Supply Worker 1.0
Tennis Operations Supv. 1.0
Tiny Tot Specialist 2.6
Support Specialist 1.75
*Program Staff approx. 240.0**

# Police

**Mission:** *The essential functions of the Fremont Police Department are to receive and respond to calls for service, stabilize dangerous and violent situations, conduct investigations, arrest offenders, and enforce the vehicle code, all in our overarching mission to protect people and property.*

## Description of Responsibilities and Services

The Police Department is responsible for the safeguarding of citizens' lives and property, the preservation of constitutional rights, and neighborhood problem solving. In FY 2003/04 the Police Department will have a heightened emphasis on homeland security and terrorism prevention. The major work units—community policing patrol, traffic enforcement, investigations, and animal control services—are charged with carrying out the department's core responsibilities.

The Community Policing Patrol Teams Division has a key role as first responder to calls for police assistance. The Division strives to maintain order, apprehend suspected law violators, and seek long-term solutions to problems and issues important to the community.


The Traffic Unit investigates serious collisions and enforces the vehicle code in an effort to proactively control the violations that result in collisions.

Investigation Services has the primary responsibility for investigations involving homicide, robbery, sex crimes, child abuse, kidnapping, burglary, theft, fraud, assault, and other criminal offenses. The unit actively investigates these crimes and coordinates resources involving in-depth, multi-jurisdictional investigations.

The Tri-City Animal Shelter is located in Fremont and, through agreements with Newark and Union City, provides high quality services to animals and to the community. The Animal Shelter is responsible for animal-related calls for service, adoption outreach and support, vector control, a spay/neuter clinic, pet licensing, and rabies control.

The Police Department's core services are supported by several other work units, including: the Office of the Chief of Police, Office of Business Services, the Police Dispatch Center, Forensic Services, the Property and Evidence Unit, the Records Section, the Police Personnel and Training Unit, the Fremont Jail, and the newly reorganized Office of Neighborhoods, which is charged with managing the City's community engagement initiatives.

Members of the Fremont Police Department actively participate in regional task force groups, including the Southern Alameda County Narcotics Enforcement Team, Rapid Enforcement Allied Computer Team Task Force, Gang Violence Suppression Task Force, and the Trigger Lock Program.

**Service Objectives**

- Continue to develop the team service model for the Patrol Division, incorporating adjustments associated with changes in staffing levels, and retaining an emphasis on effective problem solving.

- Continue to prepare for possible terrorist attacks by formulating plans related to the Homeland Security Alert system.

- Continue to work with the Fire Department to acquire and deploy equipment that would protect public safety workers in the event of a weapons-of-mass-destruction contamination incident.

- Increase efforts at obtaining and analyzing criminal intelligence information as it pertains to the overall safety of the citizens of Fremont, focusing on organized criminal activities.

- Continue to pursue funding opportunities from State and federal grants to increase the Department's ability to use new technology in crime-fighting efforts.

- Improve community awareness of crime trends through expanded use of the Police Department web site and the local cable television network.

- Enhance proactive problem-solving capability through the use of new technology that enables police officers to share real-time crime analysis information more easily.

- Explore the development of an inmate worker program at the new detention facility to reduce costs for custodial services, meal preparation, and laundry services.

- Continue to work in partnership with State and federal law enforcement agencies in the investigation of computer crimes and identity theft.

- In light of reduced staffing and services, develop strategies to ensure that services in the Tri-City Animal Shelter remain in compliance with minimum State-mandated requirements for animal services.

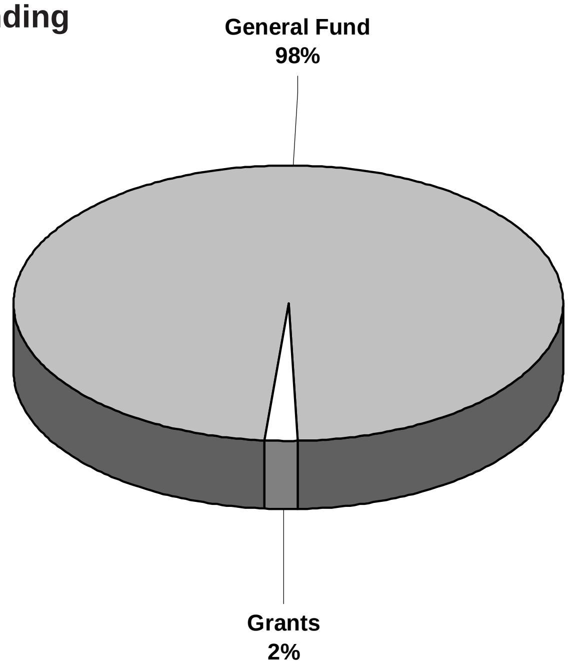
- Train and assist a minimum of 40 residents in establishing Neighborhood Networks in nine neighborhoods so they can more effectively network, share information, support each other's projects, and solve problems. Increase the number of new Neighborhood Crime Watch groups by 35.

- Participate in National Night Out by working with Neighborhood Network members to organize block parties that foster social connection and pride in neighborhoods.

- Increase the capacity of the Police Department to provide crime prevention information to the public by creating a volunteer program that will train volunteers to provide child safety and personal safety presentations, and to attend safety fairs and other community events.

## Police Sources of Funding

FY 2003/04: $38,966,203




## Police Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 28,952,759 | $ 28,916,780 | $ 32,154,528 | $ 31,942,508 | $ 33,323,405 | $ 32,124,067 |
| Operating Expenditures | 2,764,716 | 5,384,533 | 3,171,718 | 3,389,761 | 3,544,370 | 3,147,730 |
| Capital Expenditures | 671,757 | 913,061 | 722,764 | 83,512 | 107,546 | 185,403 |
| Indirect Expense Allocation** | n/a | n/a | 3,589,193 | 3,556,018 | 3,536,475 | 3,509,003 |
| **TOTAL EXPENDITURES** | **$ 32,389,232** | **$ 35,214,374** | **$ 39,638,203** | **$ 38,971,799** | **$ 40,511,796** | **$ 38,966,203** |

% increase/(decrease) from FY 2002/03 (3.8%)

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

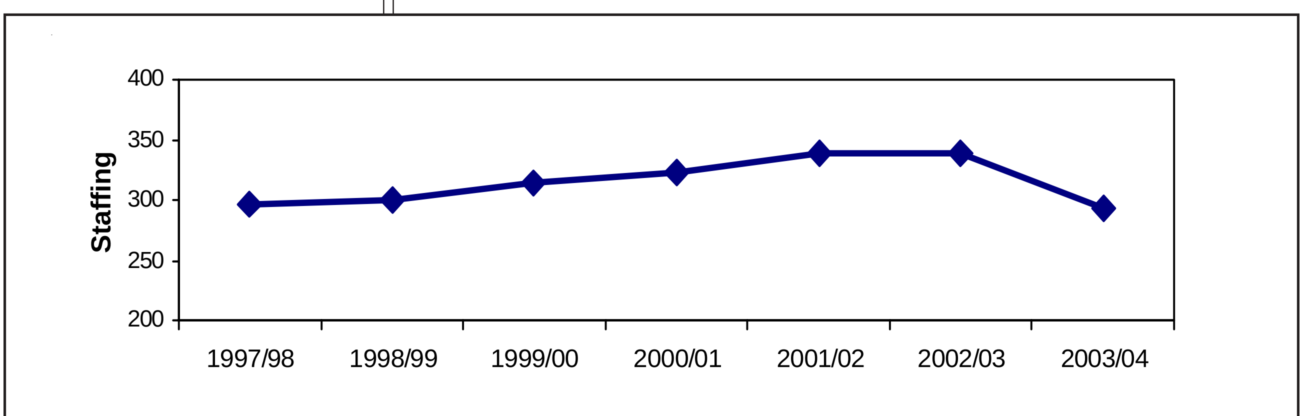
**Major Changes and Strategies for Transition**

The FY 2003/04 Police budget is $1,545,593 (or 3.8%) less than than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 337.75 to 292.9. Of these 44.85 positions, 24 are sworn police personnel, and 20.85 are non-sworn personnel. Because two positions are being eliminated mid-year and are only budgeted for part of the year, the total number of positions eliminated is greater than the reduction in FTEs noted above. (A detailed list of citywide position changes can be found on pages 63-64.)

Because of reduced funding, personnel assignments have been adjusted to focus on the Department's core operations. The Street Crimes Unit has been disbanded, dedicated commercial truck enforcement has been discontinued, and the GUARD (DARE) program will no longer be offered in order to preserve the minimum number of officers in Patrol. The number of management staff has been reduced by 25%, limiting the department's ability to provide an appropriate level of management oversight, respond to requests for information, conduct service evaluations, accommodate special event requests, and deal with emerging issues.

In addition, the Animal Shelter will be open only on weekdays. There will be delays in processing fingerprints and evidence. Employee training will be reduced. The Citizen Police Academy will be offered only once per year and may be eliminated in the future. Both the Child Safety Seat Program and the Youth Diversion Program will be reduced. As a result of a reorganization of the Office of Neighborhoods, the Neighborhood Resources Manager and a Support Specialist formerly housed in the Office of Neighborhoods will move to a new Office of Neighborhoods unit in the Police Department. This unit, which also includes three Community Engagement Specialists from the Police Department and the Volunteer Coordinator formerly housed in Human Services, will manage the City's community engagement initiatives. This change necessitated a transfer of $520,000 from the former Office of Neighborhoods to the Police Department.

**Police Historical Authorized Staffing**



# Police

Staffing by Function
FY 2003/04
292.9 Permanent
Full-Time
Equivalents

## Chief's Office

Police Chief 1.0
Police Officer 1.0
Executive Assistant 1.0

## Business Services

Business Manager 1.0
Executive Assistant 0.5
Support Specialist 3.5
Community Service Officer 1.0
*Public Service Assistant 0.5**

## Office of Professional Standards & Accountability

Police Sergeant 2.0

## Office of Neighborhoods

Neighborhood Resources Manager 1.0
Management Analyst II 1.0
Community Engagement Specialist 3.0
Support Specialist 1.0

## Community Policing Patrol Teams

Police Captain 1.0
Police Lieutenant 5.0
Police Sergeant 21.3
Police Officer 109.3
Community Service Officer 11.0
Traffic Project Manager 1.0
Executive Assistant 1.0
Support Specialist 1.0
*Public Service Assistant 2**
*(Armory)*

## Investigative Services

Police Captain 1.0
Police Sergeant 4.0
Police Officer 27.0
Community Service Officer 1.0
Crime Analysis Manager 1.0
Crime Analyst 1.0
Detention Supervisor 4.0
Detention Technician 12.0
Police Records Administration 1.0
Executive Assistant 1.0
Records Specialists[1] 16.0
*Public Service Assistant (Records) 15**

[1]One Record Specialist assigned to SACNET, Narcotic Enforcement Task Force.

[2]Six School Resource Officers funded 50:50 by Fremont Unified School District and City of Fremont.

## Administrative Support Services

Police Captain 1.0
Police Lieutenant 1.0
Police Sergeant 3.3
Police Officer[2] 7.0
Chief Forensic Specialist 1.0
Community Service Officer 2.0
Dispatch Supervisor 4.0
Dispatcher 18.0
Dispatch Technician 2.0
Property Technician 4.0
Animal Services Supervisor 1.0
Animal Services Officer 3.0
Systems Analyst/Programmer 1.0
Computer Specialist 2.0
Executive Assistant 1.0
Support Specialist 5.0
*Special Assistant I (FUSD Drug Counselor)**
*Public Service Assistants 28**

**Italics indicate temporary, part-time*

# Administrative Systems Group

***Mission:*** *To increase customer satisfaction by improving the processes, procedures, and systems that support the functions of city government.*

**Description of Responsibilities and Services**

The Administrative Systems Group (ASG) is comprised of the following departments: City Manager, City Attorney, City Clerk, Human Resources, Finance, Public Buildings, Fleet Maintenance, and Information Systems. The ASG provides systems, processes, and services that support the City Council and other internal government functions. Representatives from the ASG departments coordinate to lead the group toward a stronger customer focus, greater integration of the systems and processes that span departments, and improved accountability in citywide administrative oversight. The ASG focuses on those processes that most affect the ability of City government to provide quality customer service and initiates its strategies and actions to enhance collaboration and improve those processes to ensure they are cost effective.

**Service Objectives**
**(Presented collaboratively for all ASG Departments)**

- Support and create opportunities for the City Council to play a leadership role at the regional, state, and national level on issues of importance to the community.

- Work with the City's partners to secure full funding for the BART to San Jose extension and guide the project through the environmental and planning processes.

- Enhance interagency collaboration and build relationships with other public agencies to ensure efficient and effective service delivery to shared customers.

- Continue to streamline the Council agenda process and minimize costs associated with the preparation of the weekly agenda.

- Improve public safety communications by upgrading dispatch services technology.

- Perform expenditure audits and review associated management policies to ensure prudent financial management.

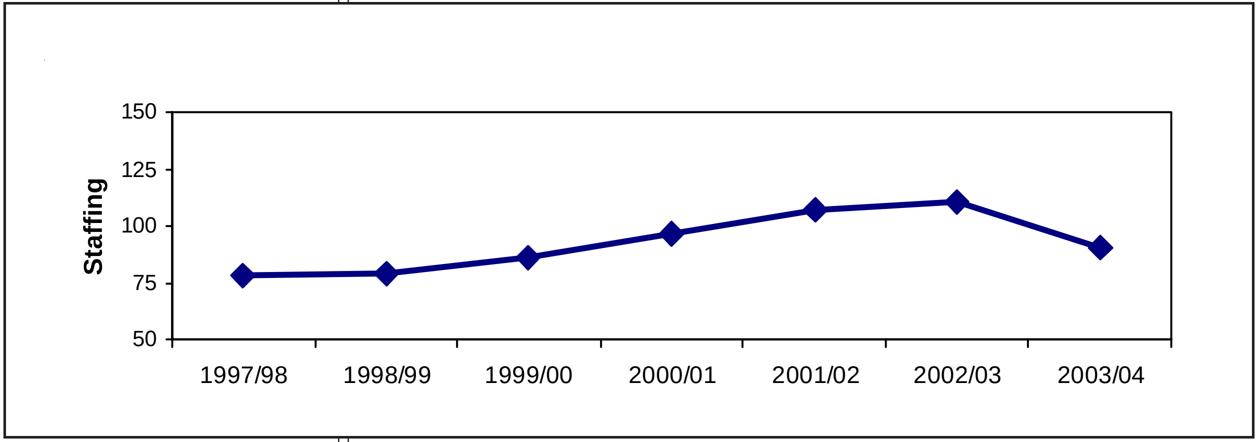
- Provide financial and legal advice to City departments developing solutions to the current fiscal crisis.

- Provide financial and legal advice for economic development activities, specifically implementation of the Pacific Commons project, implementation of the Central Business District Plan, and development of Capitol Avenue.

- Convert the business license system from the current platform, in place since 1987, to a Windows-compatible system to increase program efficiency and improve research functionality for City staff.

- Prepare for improved economic circumstances and the City's eventual need to recruit staff by developing an on-line employment application process for City jobs.
- Develop supervisory training, focusing on human resource management skills for improved supervision and organizational continuity in the future.
- Review and refine the classification and compensation system for administrative support and technical positions throughout the City.
- Convert historic payroll records from the financial system to the PeopleSoft system, creating an efficient method of maintaining required payroll and tax information.
- Implement the employee self-service modules of the PeopleSoft system to provide employees with easy access to basic information and allow for more timely updates of personnel information.
- Reduce costs and improve printing services by negotiating a new contract for print services.
- Continue integrating recent financial reporting standard changes (GASB Statement No. 34) with budget systems to improve information consistency and clarity for the reader.
- Provide seven day programming of Municipal Cable Channel 27.
- Upgrade and expand the use of document management systems among departments to further automate records-keeping/retention processes and enable the organization to locate and retrieve City documents efficiently and effectively.
- Develop implementation guidelines, administrative regulations, and internal training on procedures to support the revised Purchasing Ordinance.
- Develop and implement the Integrated Leave Policy to ensure compliance with City regulations and federal and state laws.

**Administrative Systems Group Historical Authorized Staffing**



# City Manager

***Mission:*** *To provide supportive leadership, creating an environment in which all employees, the City Council, and the community, working together, can use their abilities to the fullest extent to provide valued services to the community, giving shape and action to the City Council's policies and goals.*

**Description of Responsibilities and Services**

The City Manager's Office is responsible for providing support and advice to the City Council, offering leadership and policy support for departments, fostering community partnerships and interagency collaboration, connecting citizens with their community, providing legislative policy support, performing internal audits, and championing the organization's continuing transformation to a highly customer-focused, results-oriented, entrepreneurial team.

The City Manager's Office supports the City Council's efforts to engage in legislative advocacy on the local, state, and national levels to advocate the City's interests and increase the City's influence as a leader. Similarly, it leads efforts to publicize Fremont's innovative programs, services, and best practices to enhance the City's visibility and role as a leading local government agency.

**City Manager's Office Expenditures**

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 460,988 | $ 411,146 | $ 457,853 | $ 509,179 | $ 517,687 | $ 508,788 |
| Operating Expenditures | 127,783 | 161,250 | 232,312 | 96,980 | 163,889 | 137,232 |
| Capital Expenditures | 10,639 | 11,030 | 967 | 10,263 | 8,253 | 8,000 |
| Indirect Expense Allocation** | n/a | n/a | 72,369 | 69,903 | 69,903 | 60,013 |
| **TOTAL EXPENDITURES** | **$ 599,410** | **$ 583,426** | **$ 763,501** | **$ 686,325** | **$ 759,732** | **$ 714,033** |
| | | | | % increase/(decrease) from FY 2002/03 | | (6.0%) |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

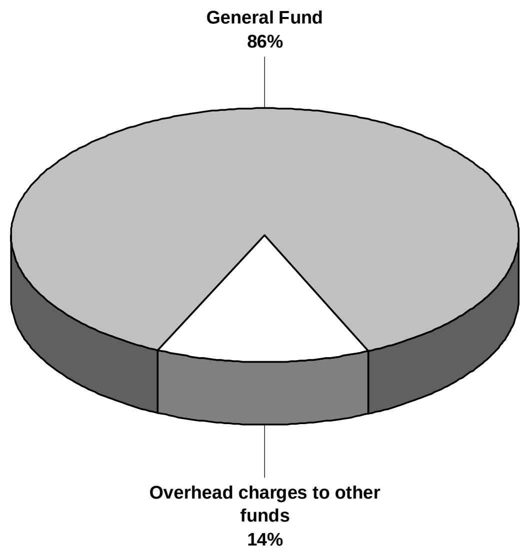
**Major Changes and Strategies for Transition**

The FY 2003/04 City Manager's Office budget is $45,699 (or 6.0%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 4 to 3. (A detailed list of citywide position changes can be found on pages 63-64.)

The City Manager's Office will continue to maintain its core services and will continue to provide support to the City Council and leadership and administrative oversight to the City organization. The legislative program will continue, the internal auditor function will be retained, and work will continue on certain high-priority citywide projects that support the City's core mission and Council priorities.

## City Manager's Office Sources of Funding

FY 2003/04: $714,033



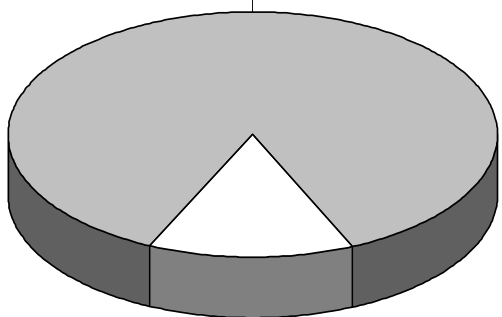

Staffing by Function
FY 2003/04
3 Permanent Full-Time Equivalents

**City Manager's Office**

City Manager 1.0
Intergovernmental Relations Manager 1.0
Administrative Aide to the City Manager 1.0

## Administration Systems Office Sources of Funding

FY 2003/04: $937,467




## Administrative Systems Office Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 628,542 | $ 292,076 | $ 334,565 | $ 754,300 | $ 960,996 | $ 642,890 |
| Operating Expenditures | 91,696 | 38,680 | 98,307 | 269,522 | 225,883 | 191,829 |
| Capital Expenditures | 8,999 | 3,075 | - | 10,587 | 9,209 | 6,000 |
| Indirect Expense Allocation** | n/a | n/a | 9,633 | 110,684 | 110,684 | 96,748 |
| **TOTAL EXPENDITURES** | **$ 729,237** | **$ 333,831** | **$ 442,505** | **$ 1,145,093** | **$ 1,306,772** | **$ 937,467** |

% increase/(decrease) from FY 2002/03 (28.3%)

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

**Major Changes and Strategies for Transition**

The FY 2003/04 Administrative Systems Office budget is $369,305 (or 28.3%) less than the FY 2002/03 adopted budget. The number of authorized positions is being reduced from 11.1 to 5.5. (A detailed list of citywide position changes can be found on pages 63-64.)

The Strategic Services Division, formerly a division within the City Manager's Office, will be eliminated in FY 2003/04, with most of the remaining staff combined into the Administrative Systems Office. The Finance Department will provide the sole funding for the Deputy City Manager/Chief Financial Officer and the Management Analyst III positions previously shared with the Strategic Services Division. In addition, one of the two Senior Managers has been temporarily assigned to Development and Environmental Services. The newly reconstituted Administrative Systems Office will reduce its permanent staff by 5.6 management positions and lose one temporary employee, a Web Designer. The loss of staff in the Administrative Systems Office will lead to a reduced capacity to provide citywide analytical support. In addition, special projects will be scaled back or eliminated, as will new strategic initiatives such as the Leadership Academy for management staff.

Staffing by Function
FY 2003/04
5.5 Permanent Full-Time Equivalents

**Administrative Systems Office**

Assistant City Manager/City Clerk .5
Senior Manager 1.2
Management Analyst II 1.8
Support Specialist 2.0

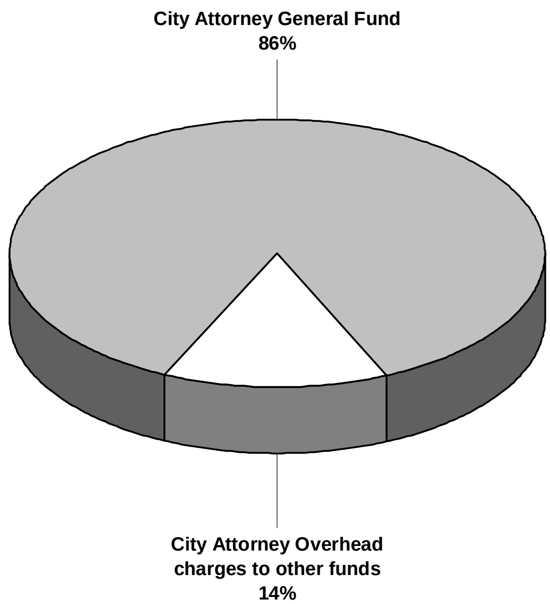
***Mission:** The primary mission of the City Attorney's Office is to provide the City Council and staff with cost effective, innovative, customer-focused, high quality representation and legal advice.*

### Description of Responsibilities and Services

The City Attorney's Office provides day-to-day legal services to the City, from defending lawsuits to acquiring property. Staff attorneys advise the City Council, commissions, boards, and staff on legal matters such as land use regulations, potential liability for City actions, and compliance with federal and state mandates. The office assists the City in negotiating complex agreements, including labor agreements, public/private partnerships, and redevelopment agreements. The office also manages the Risk Management program for all City departments, including workers' compensation administration.

**City Attorney Sources of Funding**

FY 2003/04: $1,575,697



## City Attorney Expenditures
FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 718,273 | $ 1,036,712 | $ 1,108,794 | $ 1,256,246 | $ 1,287,580 | $ 1,311,690 |
| Operating Expenditures | 808,097 | 513,780 | 396,060 | 305,689 | 349,952 | 193,054 |
| Capital Expenditures | 695 | 3,026 | 981 | - | 14,336 | - |
| Indirect Expense Allocation** | n/a | n/a | 85,564 | 79,098 | 79,098 | 70,953 |
| **TOTAL EXPENDITURES** | **$ 1,527,065** | **$ 1,553,518** | **$ 1,591,399** | **$ 1,641,033** | **$ 1,730,966** | **$ 1,575,697** |
| % increase/(decrease) from FY 2002/03 | | | | | | (9.0%) |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

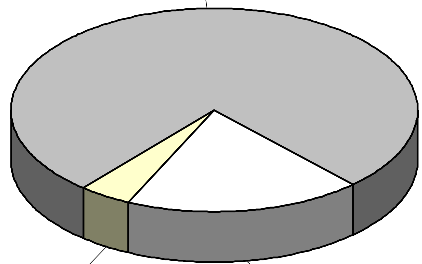
### Major Changes and Strategies for Transition

The FY 2003/04 City Attorney's Office budget is $155,269 (or 9.0%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 10 to 9. (A detailed list of citywide position changes can be found on pages 63-64.)

The City Attorney's Office reduced its staff by one Litigation Secretary and one temporary, part-time Attorney in FY 2003/04. Loss of staff will require increased prioritization of legal services.

## Risk Management Sources of Funding

FY 2003/04: $5,881,824




## Risk Management Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 545,983 | $ 502,924 | $ 658,817 | $ 778,703 | $ 703,629 | $ 774,248 |
| Operating Expenditures | 4,654,971 | 3,802,705 | 4,058,378 | 3,253,546 | 4,582,296 | 5,102,053 |
| Capital Expenditures | 31,481 | 19,530 | 25,972 | 17,500 | 29,614 | - |
| Indirect Expense Allocation** | n/a | n/a | 5,766 | 5,309 | 5,309 | 5,523 |
| **TOTAL EXPENDITURES** | **$ 5,232,435** | **$ 4,325,159** | **$ 4,748,933** | **$ 4,055,058** | **$ 5,320,848** | **$ 5,881,824** |
| % increase/(decrease) from FY 2002/03 | | | | | | 10.5% |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the “Major General Fund Changes” section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

**Major Changes and Strategies for Transition**

The FY 2003/04 Risk Management budget is $560,976 (or 10.5%) higher than the FY 2002/03 adjusted budget. No positions are being eliminated in FY 2003/04. (A detailed list of citywide position changes can be found on pages 63-64.)

In FY 2003/04, workers’ compensation will rise due to the effects of AB 749, legislation enacted in 2002 that mandates increases in disability payments, and the effects of the current workers’ compensation insurance market. This increase is reflected in the increase in operating expenditures.

Staffing by Function
FY 2003/04
12 Permanent Full-Time Equivalents

## City Attorney's Office

City Attorney 1.0
Assistant City Attorney 1.0
Senior Deputy City Attorney II 3.0
Senior Deputy City Attorney 1.0
Legal Assistant 1.0
Paralegal II 1.0
Support Specialist 1.0

## Risk Management

Risk Manager 1.0
Risk Management Assistant 1.0
Support Specialist 1.0

# City Clerk

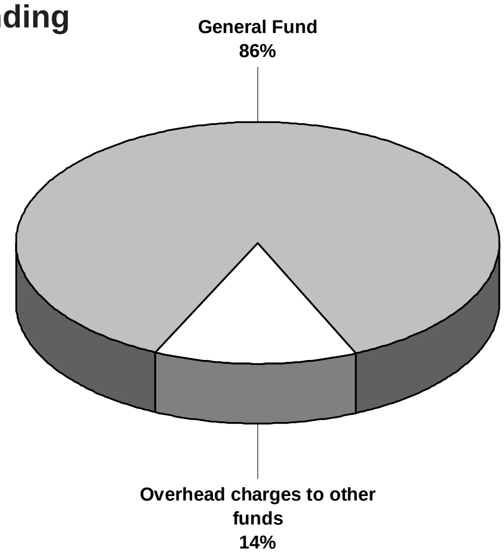
***Mission:*** *Ensure citizens' trust in government by supporting the City's legislative process and by providing open, accurate and timely legislative history; safeguarding all official records of the City; administering open and free elections; and providing information and services to support the City Council, staff, and the public.*

**Description of Responsibilities and Services**

The Office of the City Clerk oversees the preparation and distribution of the City Council agenda and supporting reports; records the City Council's actions in official minutes; maintains a computerized legislative history; and is responsible for safeguarding official documents. The City Clerk is the elections officer for the City and is responsible for the administration of all general and special municipal elections. The City Clerk is the administrator and filing officer for the Fair Political Practices Commission and City of Fremont Conflict of Interest Regulations. The Office of the City Clerk provides the City organization with graphic and text composition services, distributes mail to City facilities, and, administers the contract for off-site print services.

**City Clerk Sources of Funding**

FY 2003/04: $1,253,503



## City Clerk Expenditures
FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 594,149 | $ 599,008 | $ 595,056 | $ 693,899 | $ 753,924 | $ 613,360 |
| Operating Expenditures | 689,910 | 807,624 | 709,854 | 694,934 | 756,265 | 516,742 |
| Capital Expenditures | - | 4,803 | - | - | - | - |
| Indirect Expense Allocation** | n/a | n/a | 118,904 | 144,920 | 144,920 | 123,401 |
| **TOTAL EXPENDITURES** | **$ 1,284,059** | **$ 1,411,435** | **$ 1,423,814** | **$ 1,533,753** | **$ 1,655,109** | **$ 1,253,503** |
| | | | | % increase/(decrease) from FY 2002/03 | | (24.3%) |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

**Major Changes and Strategies for Transition**

The FY 2003/04 City Clerk's Office budget is $401,606 (or 24.3%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 10.5 to 7.5. (A detailed list of citywide position changes can be found on pages 63-64.)

The City Clerk's Office reduced its staff by three permanent Support Specialists and four temporary Public Service Assistants in FY 2003/04. In addition, approximately $100,000 in funding for elections has been moved from the City Clerk's Office budget to the non-departmental budget.

The City Clerk's Office will continue to provide support to the legislative functions of the City and safeguard and organize the City's official records and historical documents. With fewer staff in Computer Graphics and a new business model in the Print Shop, there will be a reduction in the volume of printed materials the City creates and distributes, thereby curtailing some of the City's outreach efforts. In addition, the loss of the Public Service Assistants will lead to a reduction in service delivery in records management.

Staffing by Function
FY 2003/04
7.5 Permanent Full-Time Equivalents

**City Clerk**

Assistant City Manager/City Clerk .5
Support Specialist 7.0

# Finance

***Mission:*** *To assist the Council, City Manager and operating departments in prudently managing financial resources through accurate information and high-quality business planning and financial services, including budgeting, debt management, accounting, purchasing, revenue management and payables.*

**Description of Responsibilities and Services**

The Finance Department is responsible for providing quantitative financial information, policy analyses, and recommendations that help the City Council and all City departments make decisions about how to best allocate the resources available to the City. In FY 2003/04 the Department's chief priority will be to help steer the organization through the current period of uncertainty prompted by Fremont's unprecedented economic recession and the State's budget crisis. This environment will require particular attention to budget process facilitation and department assistance, as well as a heightened importance for auditing expenditures and reviewing associated polices to ensure prudent financial management

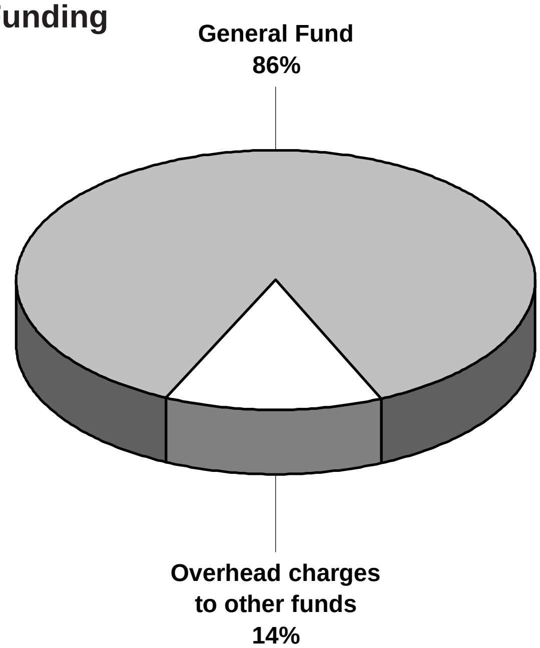
The department will continue performing its core responsibilities, including:

- accounting for the City's resources and disclosing the financial condition of the City and results of its operations in the year-end comprehensive annual financial report,
- preparing and monitoring the annual operating budget,
- providing accounts payable and purchasing services,
- managing the City's investment and banking functions, and
- collecting business taxes, the hotel/motel tax, and other revenues.

Additionally, the Finance Department supports cost center operations, assists departments with business planning, supports citywide economic development projects, and provides recommendations on any proposals with a financial impact.

**Finance Sources of Funding**

FY 2003/04: $2,974,000



## Finance Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 1,986,240 | $ 1,577,260 | $ 2,182,432 | $ 2,275,000 | $ 2,395,899 | $ 2,521,242 |
| Operating Expenditures | 533,394 | 599,643 | 516,358 | 459,510 | 376,866 | 298,130 |
| Capital Expenditures | 29,783 | 5,231 | 14,242 | 1,000 | 21,228 | 1,000 |
| Indirect Expense Allocation** | n/a | n/a | 191,799 | 172,339 | 172,339 | 153,628 |
| **TOTAL EXPENDITURES** | **$ 2,549,417** | **$ 2,182,134** | **$ 2,904,831** | **$ 2,907,849** | **$ 2,966,332** | **$ 2,974,000** |

% increase/(decrease) from FY 2002/03 0.3%

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes and Strategies for Transition

The FY 2003/04 Finance Department budget is $7,668 (or .3%) more than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 30.05 to 25.4. (A detailed list of citywide position changes can be found on pages 63-64.)

In FY 2003/04, the department will eliminate several vacant positions, including the Finance Director (whose function is now filled by the Deputy City Manager/Chief Financial Officer), two Junior Accountants, and two Support Specialists. This loss of staff will lead to slower responses to internal and external customers and a diminished capacity to develop system improvements. The department will lose some of its ability to support and improve financial systems; develop, analyze, and implement financial initiatives; and support complex negotiations.

Staffing by Function
FY 2003/04
25.4 Permanent Full-Time Equivalents

**Finance**

Deputy City Manager/Chief Financial Officer 1.0
Financial Services Manager 1.0
Management Analyst III 1.0
Support Specialist 1.0

**Budget and Accounting Services**

Budget and Accounting Manager 1.0
Senior Accountant 2.0
Accountant 3.0
Junior Accountant 1.0

**Treasury**

Revenue & Treasury Manager 1.0
Support Specialist .65

**Purchasing/Accounts Payable**

Operations Supervisor 1.0
Support Specialist 4.0

**Revenue**

Operations Supervisor 1.0
Revenue Enforcement Officer 2.0
Support Specialist 3.75

**Information Systems**

Systems Analyst / Programmer 1.0

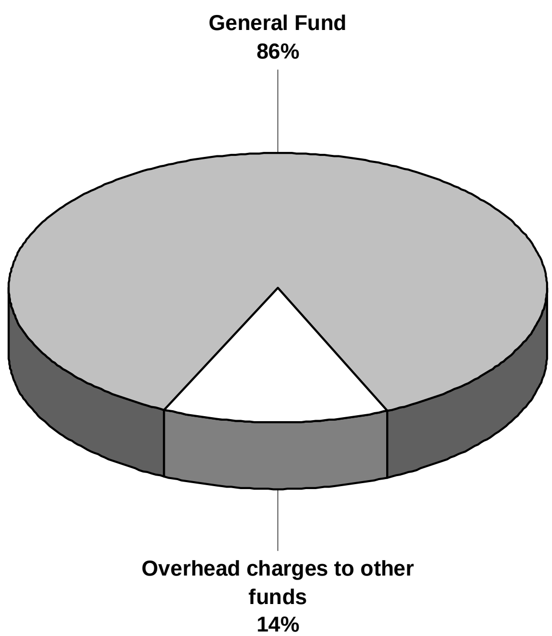
***Mission:*** *To support the City organization in developing quality services responsive to our diverse community by encouraging and developing individual and organizational capacity, promoting a caring and learning work environment, and attracting and retaining a highly qualified and innovative workforce committed to public service.*

**Description of Responsibilities and Services**

Human Resources is responsible for providing specialized assistance to other City departments in their leadership and management of the City. In order to accomplish this objective, services are provided in the following functional areas: labor and employee relations, including the development and administration of Memoranda of Understanding with bargaining units; employee and organization development; staff selection and compensation; work force diversification; payroll; benefits and retirement.

**Human Resources Sources of Funding**

FY 2003/04 $1,774,242



## Human Resources Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 1,102,073 | $ 1,259,956 | $ 1,477,649 | $ 1,382,271 | $ 1,617,987 | $ 1,512,017 |
| Operating Expenditures | 442,945 | 363,544 | 299,720 | 221,146 | 221,778 | 176,850 |
| Capital Expenditures | - | 21,989 | 20,328 | 11,528 | 2,548 | - |
| Indirect Expense Allocation** | n/a | n/a | 97,492 | 94,356 | 94,343 | 85,375 |
| **TOTAL EXPENDITURES** | **$ 1,545,018** | **$ 1,645,489** | **$ 1,895,189** | **$ 1,709,301** | **$ 1,936,656** | **$ 1,774,242** |
| | | | % increase/(decrease) from FY 2002/03 | | | (8.4%) |

* **2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

** **Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes and Strategies for Transition

The FY 2003/04 Human Resources budget is $162,414 (or 8.4%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 21 to 17. (A detailed list of citywide position changes can be found on pages 63-64.)

In FY 2003/04, the Human Resources Department will eliminate three Support Specialists and one Human Resources Analyst. The Department will also eliminate the budget for the training program. The Department will continue to provide its core services of payroll and benefits, recruitment and classification, labor relations, and administration, but at reduced levels. Outdated systems and policies that need revamping will have to wait as the Department responds to an increased workload in labor relations, addresses classification issues that result from changing positions during this time of resizing, and focuses on compensation concerns.

Staffing by Function
FY 2003/04
17 Permanent Full-Time Equivalents

### Human Resources

**Administration**
Human Resources Director 1.0
Support Specialist 1.0

**Recruitment/Class/Comp**
Employment Services Manager 1.0
Support Specialist 3.0

**Labor Relations**
Labor Relations Officer 1.0
Labor/Employee Relations Analyst 1.0
Typist Clerk II 1.0

**Payroll/Benefits**
Payroll/Benefits Manager 1.0
Support Specialist 7.0

# Information Systems

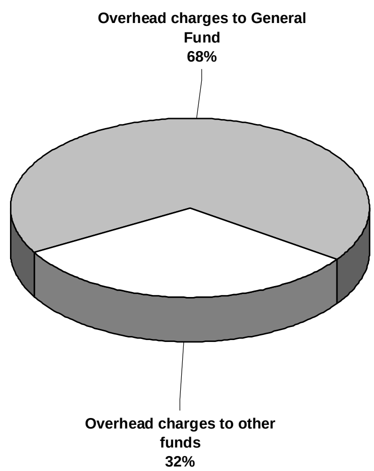
***Mission:*** *The Office of Information Systems maintains and enhances the computer and telecommunications technology of the organization to provide employees and the public with access to information, including installation, training, and support.*

**Description of Responsibilities and Services**

Information Systems has responsibility for computer, telecommunications, and data network communication services to support the operations of the City organization. Information Systems coordinates the implementation of appropriate technologies to ensure these systems fulfill the department missions and integrate wherever possible with the City organization. Information Systems staff also advises departments on computer and communication matters, provides employee computer training, and supports technology projects.

**Information Systems Sources of Funding**

FY 2003/04: $3,797,893



## Information Systems Expenditures

FY 2003/04

| | 1999/00 Actual | 2000/01 Actual | 2001/02 Actual | 2002/03 Estimated Actual | 2002/03* Adjusted Budget | 2003/04 Adopted Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 1,068,433 | $ 1,680,454 | $ 1,734,110 | $ 2,069,434 | $ 1,924,986 | $ 1,967,510 |
| Operating Expenditures | 100,056 | 556,609 | 1,102,058 | 908,101 | 1,266,857 | 975,443 |
| Capital Expenditures | 3,875 | 15,745 | 500,889 | 358,101 | 1,133,863 | 363,000 |
| Indirect Expense Allocation** | n/a | n/a | 581,117 | 605,963 | 605,963 | 491,940 |
| **TOTAL EXPENDITURES** | **$ 1,172,364** | **$ 2,252,808** | **$ 3,918,174** | **$ 3,941,599** | **$ 4,931,669** | **$ 3,797,893** |
| % increase/(decrease) from FY 2002/03 | | | | | | (23.0%) |

*** 2002/03 Adjusted Budget:** For an explanation of the FY 2002/03 budget adjustments, please see the "Major General Fund Changes" section of this document.

**** Indirect Expense Allocation:** Beginning in FY 2001/02, indirect expense allocations charges are displayed in the department where the charges are incurred.

### Major Changes and Strategies for Transition

The FY 2003/04 Information Systems budget is $1,133,776 (or 23.0%) less than the FY 2002/03 adjusted budget. The number of authorized positions is being reduced from 21 to 20.4. (A detailed list of citywide position changes can be found on pages 63-64.)

Information Systems operates as an internal services fund and is reducing its charge backs according to the budget targets of its customer departments. The Department is reducing its staff by one temporary Special Assistant, and other staff are reducing their hours and pay. Two positions in the Geographic Information System (GIS) group have been temporarily retained through new outside funding, but funding for those positions is dedicated for specific project work. Reductions in the Department's budget and staff will lead to less frequent replacement of aging computers, less ability to maintain external service contracts, a more limited ability to respond to custom mapping requests, and an increase in the time needed to check the accuracy of GIS data updates.

Staffing by Function
FY 2003/04
20.4 Permanent Full-Time Equivalents

**Information Systems**
Chief Technology Officer 1.0
Management Analyst II 1.0
Computer Specialist .9
Support Specialist .9

**Business Systems**
Senior Programmer Analyst 1.0
Systems Analyst/Programmer 5.0

**Phone & Voicemail Support**
Data Processing/Telecom. Tech. 1.0
Support Specialist 0.1

**Personal Computer & Network Support**
Computer Network Administrator 2.0
Computer Specialist 3.1
Systems Application Spec. III 1.0

**Geographic Information**
Senior Programmer Analyst 0.9
Computer Specialist 1.0
Systems Application Spec. III 1.5

# Permanent Position Summary

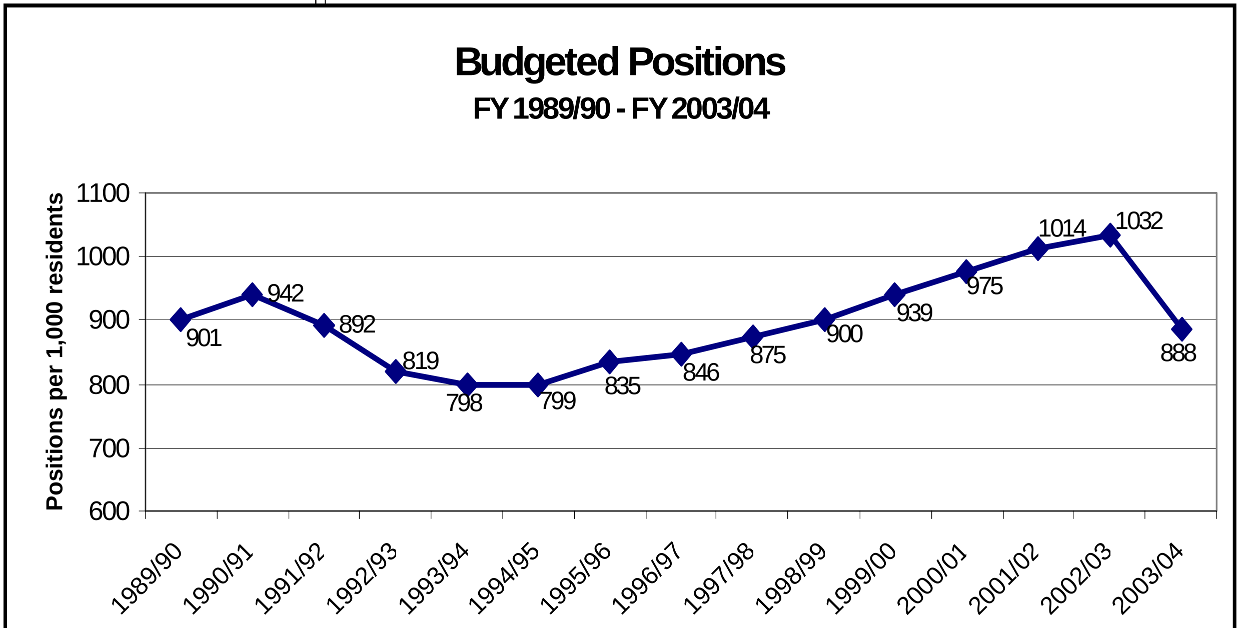
## Overview

On average, staffing-related expenses comprise more than 80% of department budgets. Therefore, strategies for budgeting in times of steep revenue declines must include reductions in staffing levels. Guiding principles for developing the FY 2003/04 budget included: transitioning to an expenditure level that can be supported by ongoing revenues; focusing on City Council priorities of public safety and maintenance; resizing the organization with a long-term focus in mind; and preserving a high-quality workforce. The resulting FY 2003/04 staffing level includes reductions in all service areas.

| | 1997/98 | 1998/99 | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
|---|---|---|---|---|---|---|---|
| **PUBLIC SAFETY** | | | | | | | |
| Fire | 190.00 | 202.00 | 202.00 | 205.00 | 176.20 | 176.00 | 157.60 |
| Police | 297.00 | 299.75 | 313.75 | 322.75 | 337.75 | 337.75 | 292.90 |
| **TOTAL** | 487.00 | 501.75 | 515.75 | 527.75 | 513.95 | 513.75 | 450.50 |
| | | | | | | | |
| **OTHER COMMUNITY SERVICES** | | | | | | | |
| Development & Environmental Svcs | 118.50 | 122.00 | 120.25 | 122.70 | 146.80 | 147.70 | 121.42 |
| Economic Development | 3.00 | 3.24 | 2.75 | 4.00 | 6.00 | 4.70 | 3.64 |
| Human Services | 29.00 | 30.95 | 33.45 | 36.45 | 40.95 | 44.95 | 40.57 |
| Maintenance | 123.75 | 124.00 | 130.00 | 134.00 | 145.00 | 153.00 | 131.50 |
| Parks and Recreation | 34.10 | 37.10 | 37.10 | 39.10 | 38.60 | 40.25 | 36.10 |
| Neighborhoods | | | 14.00 | 15.30 | 16.05 | 17.35 | |
| Redevelopment | 2.00 | 2.26 | | | | | |
| Housing and Redevelopment | | | | | | | 13.04 |
| **TOTAL** | 310.35 | 319.55 | 337.55 | 351.55 | 393.40 | 407.95 | 346.27 |
| | | | | | | | |
| **ADMINISTRATIVE SYSTEMS** | | | | | | | |
| City Manager's Office | 8.20 | 8.70 | 12.00 | 12.00 | 4.00 | 4.00 | 3.00 |
| Administrative Systems Office | | | | | 4.50 | 4.00 | 5.50 |
| Strategic Services | | | | | 7.50 | 7.10 | |
| City Attorney | 6.60 | 6.60 | 9.60 | 11.00 | 13.00 | 13.00 | 12.00 |
| City Clerk | 10.00 | 10.00 | 10.00 | 10.00 | 9.00 | 10.50 | 7.50 |
| Finance | 27.50 | 27.50 | 27.50 | 30.65 | 29.65 | 30.05 | 25.40 |
| Information Systems | 8.80 | 9.30 | 13.00 | 16.00 | 18.00 | 21.00 | 20.40 |
| Human Resources | 17.00 | 17.00 | 14.00 | 16.50 | 21.00 | 21.00 | 17.00 |
| **TOTAL** | 78.10 | 79.10 | 86.10 | 96.15 | 106.65 | 110.65 | 90.80 |
| | | | | | | | |
| **CITYWIDE TOTAL** | 875.45 | 900.40 | 939.40 | 975.45 | 1014.00 | 1032.35 | 887.57 |

The FY 2003/04 budget contains 887.57 full-time equivalent (FTE) permanent positions, a decrease of 144.78 from the level in the adopted FY 2002/03 level, or 14%.

**This reduction in FTEs represents 165 positions eliminated in the FY 2003/04 budget.** A position's budgeted FTE value for the fiscal year may be less than 1.0 when the position is scheduled to be eliminated during FY 2003/04. In such cases, the position is budgeted for only a part of the fiscal year. In addition to 165 permanent positions, the City is eliminating 59 temporary positions, for a total of 224 positions.

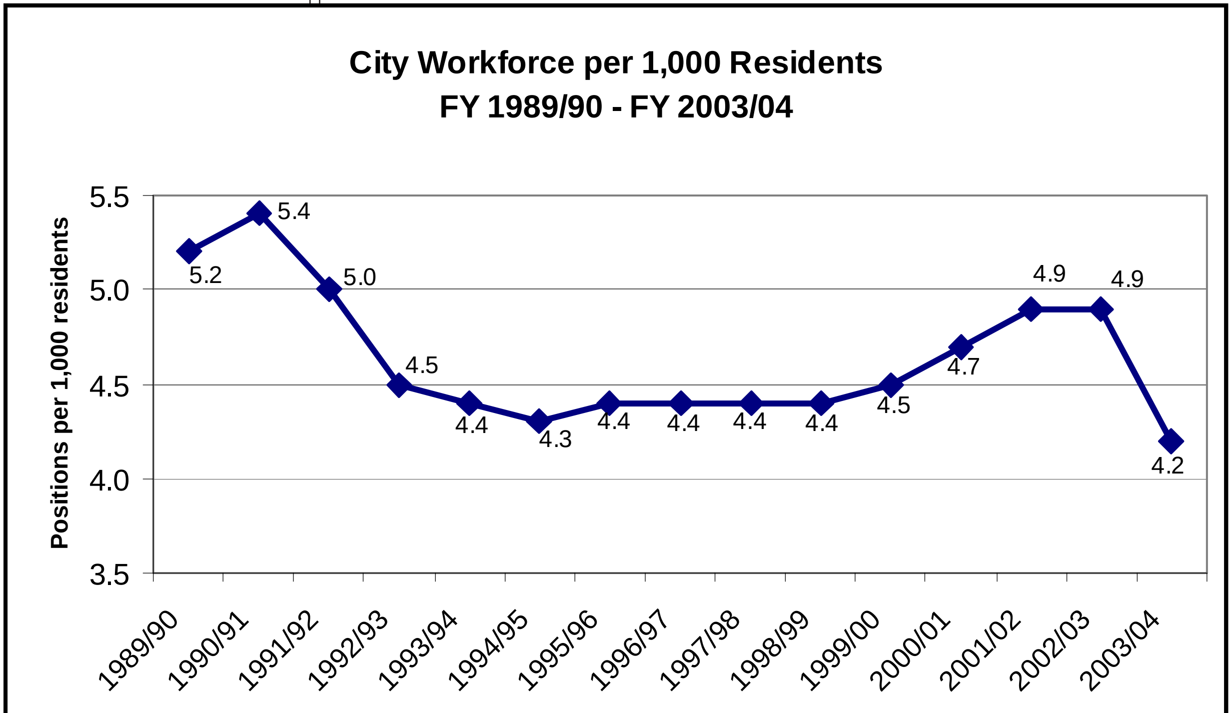



### Historical Perspective

Throughout the last decade, citywide staffing levels remained relatively stable, despite population growth of about 40,000 residents, or nearly 25%. The proposed authorized staffing level for FY 2003/04 is 54 positions lower than the FY 1990/91 level. The table below shows that since a high point in FY 1990/91, Fremont has reduced the City workforce during economic recession, and has been disciplined in adding staff during times of economic expansion.

Between FY 1990/91 and FY 1993/94, during the recession of the early 1990s, the City eliminated 143 positions. Over the following eight-year period, as Fremont's population grew and the economy expanded, the City added 216 positions, mostly in police, fire, and maintenance services. In February 2003, the City froze more than 100 positions and planned to eliminate approximately 228 positions (168 budgeted and 60 part-time or temporary) as a step toward the goal of balancing the budget in FY 2004/05. The number of authorized positions for FY 2003/04 represents a 14% reduction from the level adopted in the FY 2002/03 budget; it is the City's lowest permanent staffing level since FY 1997/98.

Staffing levels have remained even more level over time when population growth is considered. Between FY 1990/91 and FY 1994/95, the City reduced its authorized position count from 5.4 to 4.3 positions per 1,000 residents. Following FY 1994/95, per capita staffing levels remained constant for four years, then grew through the economic expansion of the late 1990s, enabling the City to regain some of the services lost in the early 1990s. The ongoing economic recession is prompting the City to reduce FY 2003/04 staffing to 4.2 per 1,000 residents, the lowest per capita level ever.




## Staffing Levels Relative to Other Communities

As the table on the following page indicates, comparison of staffing levels in neighboring communities reveals that the City of Fremont maintains a comparatively low ratio of budgeted positions to residents.

This results from efficient operations, but is driven by having limited resources. Fremont has low revenue levels to fund basic services, compared with larger cities, neighboring cities, and cities known for providing a high quality of life.

**General Fund Positions per 1,000 Residents**
**FY 2002/03**

| City | 2002 Population | Citywide Positions | Positions per 1,000 Residents |
|---|---|---|---|
| Palo Alto | 60,500 | 758 | 12.5 |
| Oakland | 408,800 | 4,625 | 11.3 |
| San Jose | 918,000 | 7,014 | 7.6 |
| Pleasanton | 66,200 | 458 | 6.9 |
| Newark | 43,650 | 276 | 6.3 |
| Livermore | 76,700 | 448 | 5.8 |
| Walnut Creek | 65,900 | 378 | 5.7 |
| Sunnyvale | 132,800 | 732 | 5.5 |
| Union City | 67,000 | 336 | 5.0 |
| **Fremont** | **208,600** | **1,032** | **4.9** |

Source: FY 2002/03 published city budgets

**Note:** Services provided by each community surveyed, and respective funding arrangements, vary widely among cities. The table on the preceding page reflects staffing levels in various communities, with the following adjustments to improve comparability with Fremont:

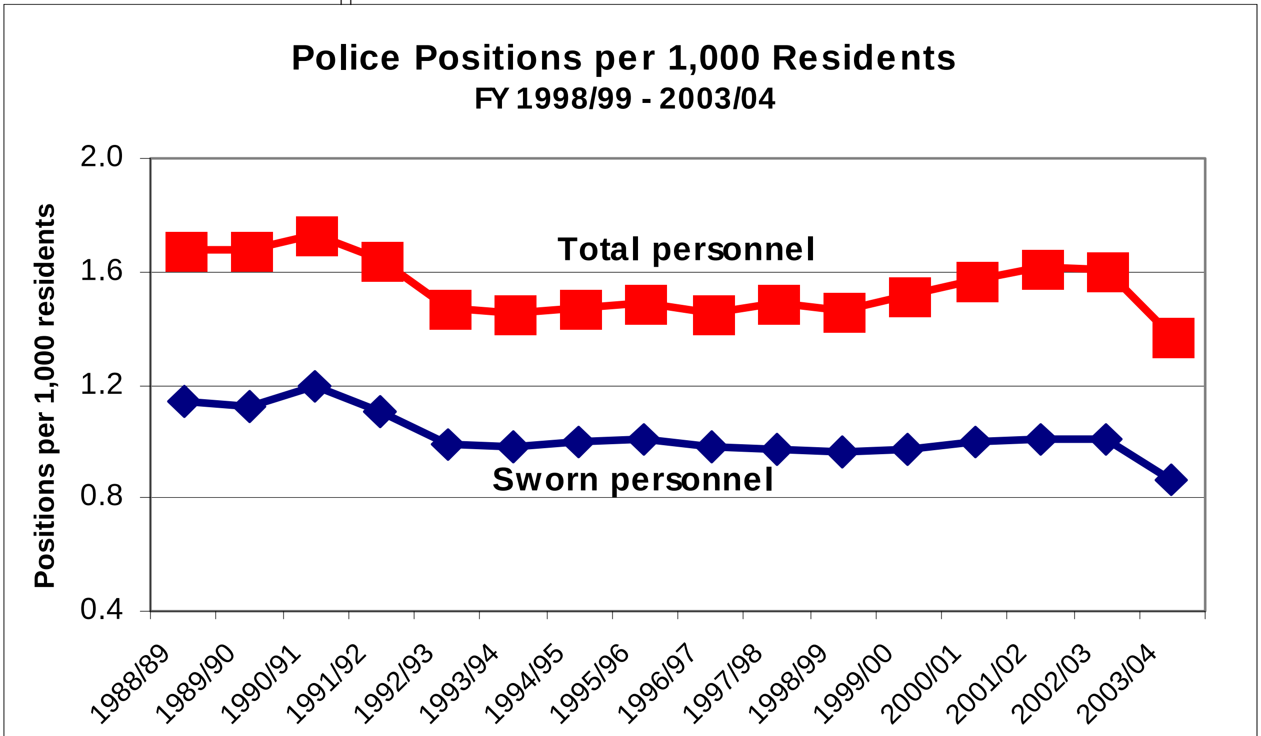
- **Livermore:** total positions reduced by the number of positions supporting water, airport, and golf (services not provided by the City of Fremont).
- **Palo Alto:** total positions reduced by the number of positions supporting utilities and public works services not provided by the City of Fremont, i.e.: electric, gas, water, wastewater collection, and refuse. San Jose: total positions reduced by the number positions supporting aviation services (not provided by the City of Fremont).
- **Sunnyvale:** total positions reduced by the number of positions supporting water, wastewater, and solid waste (services not provided by the City of Fremont).
- **Walnut Creek:** While no adjustment has been made, it is noteworthy that fire protection services for Walnut Creek are provided by Contra Costa County; therefore there are no staff budgeted by Walnut Creek for this function.

More than two-thirds of the General Fund budget is allocated for the City Council's priorities of police, fire, and maintenance services. Similarly, almost two-thirds of the FY 2003/04 position reductions are attributable to these departments. The following sections consider staffing trends for public safety and maintenance.

## Police

The Police Department will reduce its FY 2003/04 staffing level 13%, from 337.75 to 292.90 budgeted positions. Of the 44.85 positions eliminated, 24 are sworn positions. The graph on the following page illustrates that over the last five years, the number of sworn positions has remained constant, at one officer per 1,000 residents. The decrease in FY 2003/04 to 0.9 officers per 1,000 residents marks the lowest per capita staffing level in Fremont's history.

To minimize the effects of the eliminated positions on services, the department is reassigning personnel to maintain emergency response capability, resulting in suspension of special programs like enhanced commercial vehicle patrol, the gang task force, and school resource officer programs.

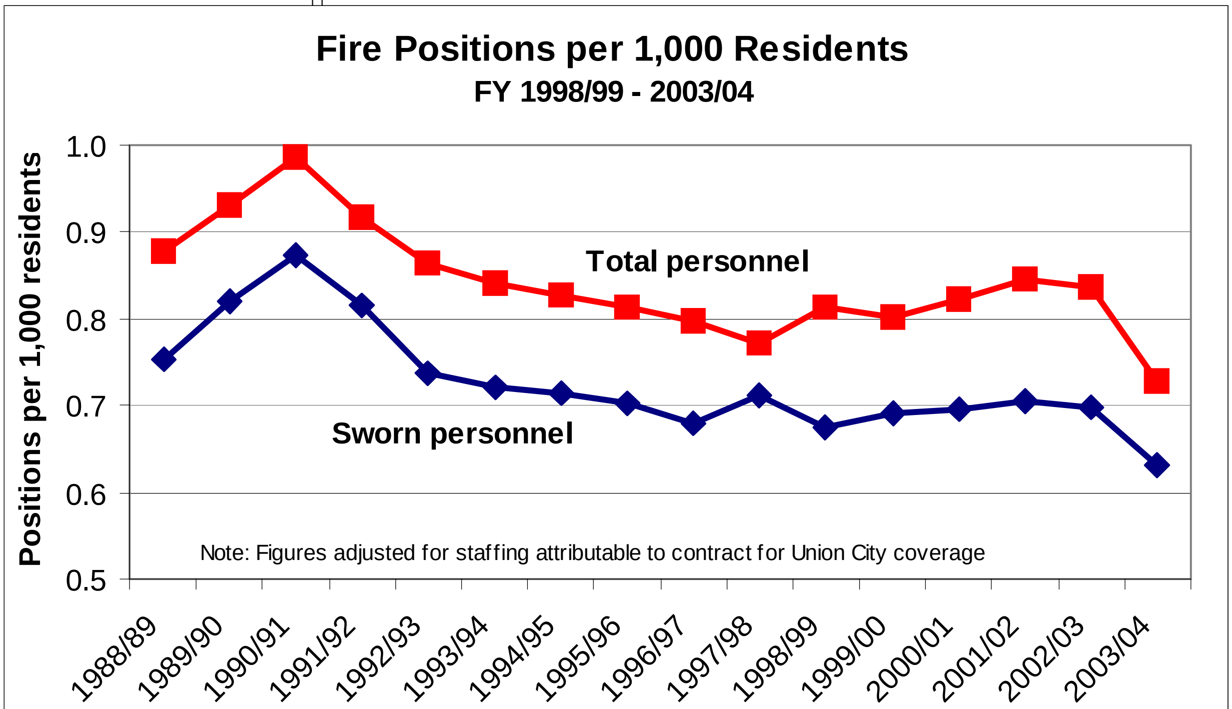



The Police Department has increased service efficiency in recent years through the expanded utilization of non-sworn personnel. These personnel contribute significantly to community safety through community engagement, animal services, forensics, crime analysis, and crime prevention education. Non-sworn employees, specifically community service officers, also provide support for patrol activities (such as traffic accident management, evidence management, and report administration), enabling police officers to focus on emergency response.

Even prior to the current reductions, the Fremont Police Department operated efficiently relative to other communities. In FY 2002/03, Fremont had fewer budgeted sworn police employees per 1,000 residents than Walnut Creek, San Jose, Hayward, and Oakland.

### Fire

The Fire Department will reduce its staff in FY 2003/04 by 10.5%, from 176 to 157.6 budgeted positions. Of the 18.4 positions eliminated, 12 are sworn positions. The graph on the following page illustrates that over the last five years, the number of sworn positions has remained constant, at 0.7 firefighters per 1,000 residents. The decrease in FY 2003/04 to 0.6 sworn personnel per 1,000 residents marks the lowest per capita staffing level in Fremont's history.

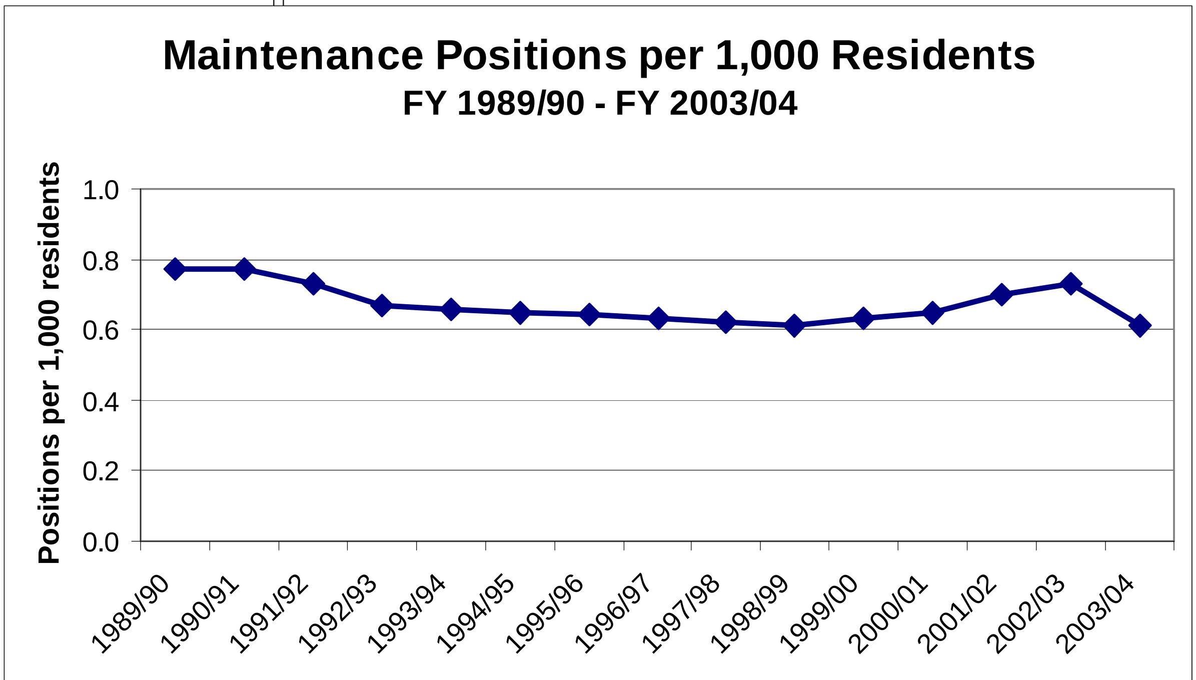



To preserve emergency response capacity, the Fire Department closed Fire Station 11, the station with the lowest volume of service calls, during FY 2002/03. While this action will result in longer response times into the area and will reduce the overall capacity of the operational system, closing the station will enable the department to reduce expenditures while localizing the impact to the extent possible.

Over the past 15 years, the Fire Department has provided excellent services with a consistently low staffing level. Even prior to the current reductions, the Fremont Fire Department operated efficiently relative to other communities. In FY 2002/03, Fremont had fewer budgeted sworn fire employees per 1,000 residents than San Jose, Hayward, Oakland, Livermore/Pleasanton, and Berkeley. Another measure of fire service efficiency is the average area, in square miles, served by each fire station. The Fire Department provides service across Fremont's 92 square miles with only 10 fire stations, an average of one fire station for every 9 miles of area. Oakland, in contrast, has an average of one fire station for every two square miles, Hayward has one station for every six square miles, and San Jose has one station for every six square miles.

## Maintenance

The City will reduce FY 2003/04 Maintenance staff by 14%, from 153 to 131.5 budgeted positions. Staffing reductions will primarily affect park maintenance, urban forestry, and public buildings—areas in which reductions in staffing levels will have the least impact on public safety and City assets.




As the graph above illustrates, Maintenance staffing decreased steadily through the 1990s. When Fremont's economy expanded in the late 1990s, the City reinvested a portion of fund balance in Maintenance staffing to address the backlog that had accumulated following the staffing reductions of the early 1990s. The reductions contained in the FY 2003/04 budget will reduce Maintenance staff to 0.6 workers per 1,000 residents, which matches the lowest level in Fremont history. The effects of the staffing reduction are made worse by the elimination of the budget for 42,000 hours of part-time/seasonal work, which is equivalent to an additional 21 full-time positions.

The quantity of assets maintained is another measure of demand for maintenance services, and provides additional context for maintenance staffing trends. The table below shows that the City's asset inventory has grown significantly over the past 10 years.

| Asset | FY 1993/94 | FY 2003/04 | Percent change |
|---|---|---|---|
| Public buildings | 581,500 sq. feet | 931,500 sq. feet | 60% |
| Streets | 778 lane miles | 1,100 lane miles | 41% |
| Trees along streets | 35,000 trees | 45,000 trees | 29% |
| Park land | 810 acres | 860 acres | 6% |

## General Fund Contingency Reserve

City Council policy is to maintain a Contingency Reserve for operations to help mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events.

The Contingency Reserve also serves as back-up liquidity to the Risk Management Fund if such an unanticipated need were to arise.

The Contingency Reserve is funded at a level at least equal to 12.5% of annual operating expenditures and transfers out. All uses of the Contingency Reserve must be approved by the City Council. Any such uses are to be repaid to the Contingency Reserve over a period of no more than three years. (Adopted by the City Council on June 4, 1996.)

## General Fund Program Investment Reserve

City Council policy is to maintain a Program Investment Reserve to provide a source of working capital for the following:

a) New programs or undertakings that have the potential for receiving significant funding from outside sources.

b) Organization retooling, process improvement and strategic entrepreneurial opportunities.

The Program Investment Reserve is funded at a level at least equal to 2.5% of annual operating expenditures and transfers out. All uses of the Program Investment Reserve will be approved by the City Council. Any such uses are to be repaid to the Program Investment Reserve over a period to be determined by the City Council at the time of usage approval, with a target repayment period of no more than three years. (Adopted by the City Council on June 4, 1996.)

## General Fund Budget Uncertainty Reserve

The Budget Uncertainty Reserve was established as a temporary reserve in FY 2002/03. Its original purpose was to fund shortfalls that result when actual revenues do not meet budgeted revenues and/or the departments are unable to maintain service levels with the established budget reduction. The initial funding of this reserve was $6.2 million.

The protracted economic downturn, the potential local impacts of solutions to the State budget crisis, and the unavoidable cost increases on the horizon have prompted the transition of this reserve from temporary to permanent status and an increase in this reserve to $7.9 million. The long-term funding target for this reserve will be determined by measuring the risk associated with these three areas of uncertainty.

1. **Revenue risks:** Shortfalls may be caused by revenues falling short of budget projections (which include a 1% enhancement factor). There is also a need to provide transitional funding to provide orderly responses to reductions in major revenues due to local, regional, and national economic downturns (estimated to take 1-3 years).

2. **State budget risks:** There is a strong probability that the State may implement budget solutions that legislatively reallocate intergovernmental revenues from local jurisdictions to the State (in the absence of guarantees or constitutional protection of these revenues). These include property tax, sales tax, vehicle license fee and backfill, gas tax, grants and reimbursements.

3. **Uncontrollable costs:** The City requires a source of supplemental funding for further increases in CalPERS retirement rates that result from CalPERS investment performance that falls short of actuarial assumptions. In addition, there may be other cost increases that are beyond the City's control (e.g., various utility charges).

The City Manager is authorized to transfer funds from this reserve to cover the shortfall conditions described above. If risk factors are eliminated, as a result of new revenue sources, legislation, or major changes in economic conditions, the basis for the budget target will be reviewed, and the target adjusted accordingly. In the event the reserve has accumulated funding beyond the established target level, excess funds will be designated for capital projects, budgeted for service enhancement, or returned to the General Fund available fund balance. ( originally adopted by the City Council on June 4, 2002, and modified on June 10, 2003.)

## Development Cost Center Contingency Reserve

A healthy Development Cost Center fund balance supports effective delivery of development services. City Council policy is to maintain a Development Cost Center contingency reserve for operations to help mitigate the effects of economic downturns and errors in financial forecasting. The contingency reserve is funded at a level at least equal to 15% of the annual operating expenditures for engineering, planning, and building and safety. All uses of the contingency reserve must be approved by the City Manager. Any such uses are to be repaid to the contingency reserve over a period of no more than three years. (Adopted by the City Council on June 3, 1997.)

## Development Cost Center Technology and System Improvement Reserve

The City Council may appropriate an annual contribution from the Development Cost Center to a Development Cost Center technology and system improvement reserve to provide a source of capital for the following:

- Ongoing hardware and software acquisition
- Technology investment
- System improvement

The technology and system improvement reserve was funded initially at a level of $1 million. This level of reserve is maintained to the extent market conditions and revenues permit. The City Manager recommends annually an amount to be contributed to such a reserve. All uses of the reserve must be approved by the City Manager. (Adopted by the City Council on June 3, 1997.)

## Development Cost Center Spending Authorization

When quarterly fee revenue estimates exceed amounts estimated at the time of budget adoption due to increases in development and fee activity, the Assistant City Manager/Development and Environmental Services Manager is authorized to increase appropriations for current year expenditures with approval of the City Manager. Increased appropriations shall not exceed the amount of the increase in estimated revenues. When revenue estimates are less than amounts estimated at the time of budget adoption, the department head will submit plans to the City Manager for reduction of expenditures consistent with the expected decrease in estimated revenues. (Included in the annual budget resolution in prior years and adopted by the City Council on June 3, 1997.)

## Development Cost Center Unallocated Fund Balance

When annual fee revenues exceed expenditures and amounts needed to maintain the Development Cost Center reserves at planned levels, the Development and Environmental Services Department will evaluate the development fee structure during the subsequent fiscal year. The evaluation will take into account equity to fee payers, changes in fee structures to encourage compliance with safety codes, economic forecasts for development and maintenance of responsive, high-quality customer services. The purpose of this evaluation will be to develop recommendations regarding possible reductions in fee levels that would be funded through use of the unallocated fund balance for the budget year that begins twelve months after the end of the fiscal year that results in an unallocated fund balance. (Adopted by the City Council on June 3, 1997.)

## Integrated Waste Management Contingency Reserve

City Council policy is to maintain an Integrated Waste Management contingency reserve of $2,000,000 to support post disaster debris management. In the event of a natural disaster, this will provide a source of funds for disaster response and clean up efforts with the objective of recycling, reusing or otherwise diverting disaster debris from the landfill to the greatest extent possible. The reserve will fund immediate response and recovery activities, support local diversion policy goals, conserve valuable natural resources, preserve landfill space, and possibly decrease recovery time. (Adopted by the City Council on June 1, 1999.)

## Integrated Waste Management Unallocated Fund Balance

The unallocated Integrated Waste Management fund balance will be maintained to fund elements of the bringing future transfer station/material recovery facility (TS/MRF) online, including planning, site acquisition and design. In the event a TS/MRF is not operational before the Tri-Cities Recycling and Disposal Facility (landfill) reaches capacity, the fund balance may also be used to pay for additional transportation and disposal expenses that will be incurred to handle the City's solid waste until the TS/MRF comes online. The fund balance is evaluated annually to determine whether adjustments in fee levels may be warranted. (Adopted by the City Council on June 1, 1999.)

## Solid Waste Disposal Rate Stabilization Fund

The Solid Waste Disposal Rate Stabilization Fund, funded through solid waste collection fees, serves as a mechanism for managing rate fluctuations over time (Adopted by the City Council on June 1, 1999.)

## Urban Runoff Clean Water Program Unallocated Fund Balance

Unallocated Urban Runoff Clean Water Program funds will be used to support a multi-year focused watershed management program to enhance the Regional Water Quality Control Board's storm water quality standards. Program components may include erosion control, community education, and storm water management techniques to improve the quality of water through the watershed. The unallocated fund balance will be evaluated on a biennial basis as to the levels necessary to support project objectives. (Adopted by the City Council on June 1, 1999.)

## Urban Runoff Clean Water Program Contingency Reserve

City Council policy is to maintain a $300,000 contingency to respond to unfunded events such as changes in law, new initiatives, fluctuating program costs, and changing program requirements. The contingency fund balance will be evaluated on a biennial basis to determine if the level is appropriate. (Adopted by the City Council on June 1, 1999.)

## Recreation Cost Center Contingency Reserve

City Council policy is to maintain a Recreation Cost Center contingency reserve for operations to help mitigate the effects of economic downturns and natural disasters, to maintain full-time staffing levels during temporary loss of program facilities, and to deliver prepaid recreation services. The contingency reserve will be funded at a level at least equal to 25% of the Recreation Division's annual operating expenditures. All uses of the contingency reserve will be approved by the City Manager. Any such uses will be repaid to the contingency reserve over a period of no more than three years. (Adopted by the City Council on June 3, 1997.)

## Recreation Cost Center Operating Improvement Reserve

City Council may appropriate an annual contribution from the Recreation Cost Center to the Recreation Cost Center operating improvement reserve to provide a source of capital for:

- Ongoing hardware and software acquisition
- Capital and/or technology investment
- Process improvement and organizational retooling
- Entrepreneurial program opportunities that have the potential to generate revenues to cover expenditures within a three-year period

The operating improvement reserve was funded initially at a level of $1 million. This level of reserve is maintained to the extent market conditions and revenues permit. The City Manager will recommend annually an amount to be contributed to such a reserve. All uses of the reserve will be approved by the City Manager. (Adopted by the City Council on June 3, 1997.)

## Recreation Cost Center Spending Authorization

When quarterly fee revenue estimates exceed amounts estimated at the time of budget adoption because of increases in recreation fee activity, the Parks and Recreation Director will be allowed to increase appropriations for operating expenditures with the approval of the City Manager. Increased appropriations shall not exceed the amount of the increase in estimated revenues. When revenue estimates are less than amounts estimated at the time of budget adoption, the department head will submit plans to the City Manager for reduction of expenditures consistent with the expected decrease in estimated revenues. (Adopted by the City Council on June 3, 1997.)

## Short-Term Operating Debt

Current revenues will cover the expenses associated with the day-to-day operations of the City. However, because the City receives the majority of its property tax revenues at two times during the year, and sales tax revenues may fluctuate during the year, the City may experience temporary cash shortfalls. In order to finance these temporary cash shortfalls, the City may incur short-term operating debt [typically, Tax and Revenue Anticipation Notes (TRANS)]. The amount of the short-term operating debt will be based on cash flow projections for the fiscal year and will comply with applicable federal and State regulations. Operating revenues will be pledged to repay the debt, which will generally be repaid in one year or less. The costs of such borrowings will be minimized to the greatest extent possible. (Adopted by the City Council on February 26, 1996 and reaffirmed on July 7, 1998.)

## Long-Term Capital Debt

The long-term capital debt policy sets the parameters for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. In addition to this policy, there is a separate policy for land-based financings (typically, Mello-Roos community facility districts and local improvement districts) and debt issued by the Redevelopment Agency. A separate policy will be developed for debt issued by the Redevelopment Agency. The City will consider the issuance of long-term obligations under the following conditions:

1. The City will use debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances:

   a. When the project is included in the City's five-year capital improvement program and is in conformance with the City's General Plan.

   b. When the project is not included in the City's five-year capital improvement program, but it is an emerging critical need whose timing was not anticipated in the five-year capital improvement program, or it is a project mandated immediately by State or federal requirements.

   c. When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing.

   d. When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost-sharing revenues.

   e. Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.

2. The project priority process used in developing the City's five-year capital improvement program, including criteria used in evaluating projects and project viability, will be reviewed by the City Council as part of the biennial update of the five-year capital improvement program.

3. The following criteria will be used to evaluate pay-as-you-go versus long-term debt financing in funding capital improvements:

   a. Factors which favor pay-as-you-go:

      (1) Current revenues and adequate fund balances are available.

      (2) Project phasing is feasible.

      (3) Debt levels would adversely affect the City's credit rating.

      (4) Market conditions are unstable or present difficulties in marketing.

   b. Factors which favor long-term financing:

      (1) Revenues available for debt service are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating.

      (2) The project for which financing is being considered is of the type that will allow the City to maintain an appropriate credit rating.

      (3) Market conditions present favorable interest rates and demand for municipal financings.

      (4) A project is mandated by State or federal requirements and current revenues and fund balances are insufficient to pay project costs.

      (5) A project is immediately required to meet or relieve capacity needs.

      (6) The life of the project or asset financed is five years or longer.

4. The following will be considered in evaluating appropriate debt levels:

   a. General Fund supported debt service will not exceed 7% of total General Fund budgeted expenditures and transfers out.

   b. The General Fund may be used to provide back-up liquidity to improve the viability of a self-supported debt issue (i.e., ***not*** land-based or redevelopment agency financings), but only if the General Fund is not exposed to significant risk of loss of assets or impairment of liquidity. This evaluation of risk will consider such things as the following:

(1) Volatility and collectibility of the revenue source identified for repayment of the debt.

(2) The likelihood the General Fund would be reimbursed within one year for any payments it might potentially need to make in its role as back-up guarantor. If the City Council determines the risk of loss of assets or impairment of liquidity to the General Fund to be relatively minimal, self-supported debt service for debt that relies on the General Fund as a back-up guarantor will not exceed 7% of General Fund budgeted expenditures and transfers out. This limitation is separate from and in addition to the debt limitation for general fund supported debt service described in Section 4.a., above.

5. The costs of developing and maintaining a land-based long-term debt policy will be borne by the development community, which uses this type of financing.

6. The costs of developing and maintaining a redevelopment agency long-term debt policy will be borne by the redevelopment agency and will be developed in conjunction with amendments to existing redevelopment project area plans and/or new proposals to issue debt by the redevelopment agency.

7. The City will follow all State and federal regulations and requirements regarding bond provisions, issuance, taxation and disclosure.

8. The adoption of resolutions of intent will be considered whenever bond issuance is contemplated to increase the flexibility related to funding costs related to the project (e.g., project development costs, architectural costs, studies, etc.)

9. Costs incurred by the City, such as bond counsel and financial advisor fees, printing, underwriters' discount, and project design and construction costs, will be charged to the bond issue to the extent allowable by law.

10. The City will seek credit enhancements, such as letters of credit or insurance, when necessary for cost-effectiveness.

11. The City will monitor compliance with bond covenants and adhere to federal arbitrage and disclosure regulations. Any instances of noncompliance will be reported to the City Council

12. The City will seek to maintain its current bond rating and will ordinarily not consider long-term debt that, through its issuance, would cause the City's bond rating to be lowered.

13. The City will maintain good communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus (Official Statement).

14. The City will generally conduct financings on a competitive basis; however, negotiated financings may be used where market volatility or the use of an unusual or complex financing or security structure is a concern with regard to marketability.

15. The City will select a financial advisor and/or investment banker and bond counsel on a competitive basis; these advisors will be retained for at least four years to provide continuity and allow them to develop an understanding of the City's needs. Other outside service providers may be selected by developers or owners, subject to the City's approval. Trustees and/or paying agents will be selected by competitive bid.

16. Interfund borrowing will be considered to finance high priority needs on a case-by-case basis, only when planned expenditures in the fund making the loan would not be affected. Interfund borrowing may be used when it would reduce costs of interest, debt issuance, and/or administration.

17. The term of the long-term debt instrument will not exceed the legal life of the asset or thirty years, whichever is less.

18. Bond proceeds will be invested in accordance with the provisions of the bond indenture. Funds set aside for debt service will only be used for that purpose.

19. In choosing the appropriate long-term debt instrument, cost, economic equity, political acceptability, and flexibility will be considered. Refundings will be considered to reduce interest costs or principal outstanding, or to eliminate restrictive debt covenants. Pooled financings with other government agencies will be considered, as appropriate.

There are many different types of long-term debt instruments available. Depending on the specific circumstances, the City will consider using the following types of financing instruments:

a. **General Obligation Bonds -** Bonds backed by the full faith and credit of the City. The taxing power may be an unlimited ad valorem tax or a limited tax, usually on real estate and personal property. A special rate is incorporated in the property tax bill annually to pay for debt service. A two-thirds voter approval is required for authorization. Because it is secured by an unlimited tax levy, this structure has strong marketability and lower interest costs.

b. **Revenue Bonds -** Bonds are secured by revenues generated by the facility that is financed or by dedicated user fees. Voter approval may or may not be required. Planning is more complex because costs and revenues affect each other. Credit enhancement (e.g., insurance or letter of credit) may be needed because of the limited source of debt service payment.

c. **Certificates of Participation -** The City enters into a lease agreement with another party (a lessor, such as a joint powers authority) to lease an asset over a defined period of time at a prearranged annual payment. Voter approval is generally not required. Lease payments are made primarily from general fund revenues. Current law requires the lessee to make lease payments only if the facility has beneficial use. The legislative body has to appropriate annual debt service payments. For the security of the bondholders, a reserve fund is normally established and held by a trustee until all bonds are paid. Interest during project construction must be capitalized. An "asset transfer" structure, whereby an existing facility is used as security to finance construction or acquisition of another project, may be used for flexibility.

d. **Tax Allocation Bonds -** Bonds are secured by property tax increment (property taxes generated on assessed value in excess of the frozen property tax base) in a redevelopment project area. These bonds are issued to promote economic development. Voter approval is not required.

e. **Assessment Bonds -** Bonds are issued to develop facilities and basic infrastructure for the benefit of properties within the assessment district. Assessments are levied on properties benefited by the project. Voter approval is not required. Instead, a majority vote of the property owners with a majority of assessments is needed to authorize the issue. The issuer's recourse for non-payment is foreclosure. This type of bond is normally not rated. The bonds may be issued under the provisions of the 1911, 1915 or Mello-Roos Bond Act, whichever is most appropriate.

f. **Master Lease Agreements -** The City enters into a lease agreement with a provider to lease equipment or facilities whose useful life is too short to finance with long-term debt. Various pieces and types of real and personal property from different vendors over a period of time can be acquired under one master lease agreement. Interest can be fixed or tied to an index. Financing costs are normally minimal, but the interest cost may be higher than with other instruments.

g. **Vendor-Financed Leases -** A vendor of equipment acts as the lessor and investor, and holds the lease for its full term or may assign the lease. The motivating factor to the vendor is usually to encourage future sales of its product.

h. **Marks-Roos Bonds -** Bonds are issued by a joint powers authority to buy other bond issues. By pooling bond issues, marketability can be improved and administration costs are reduced.

I. **Bond Anticipation Notes -** Notes are issued to provide temporary financing, to be repaid by long-term financing. The bridge financing has a maximum maturity of three years

(Adopted by the City Council on May 7, 1996, revised and readopted by Council on July 8, 1998)

### 5-year Forecast

The Finance Department's long-range projection of revenues and expenditures. The Finance Department updates the forecast three times a year.

### Administrative Systems Group (ASG)

Administrative Systems Group includes the City Manager's Office, City Attorney's Office, City Clerk's Office, Finance, Human Resources and Information Systems.

### Annual Operating Contingency

An account, used at the discretion of the City Manager, to fund emergency or extraordinary items.

### Appropriation

An authorization by the City Council to make expenditures and to incur obligations for a specific purpose within a specific time frame.

### Assessed Valuation

A dollar value placed on real estate or other property by Alameda County as a basis for levying property taxes.

### Assigned Revenue

Under expenditure control budgeting, a department's base budget will increase when revenues assigned to the department increase. Likewise, a decrease in the assigned revenues may decrease the department's base budget (the amount the department can spend that year).

### Audit

Scrutiny of the City's accounts by an independent auditing firm to determine whether the City's financial statements are fairly presented in accordance with generally accepted accounting principles.

### Base Budget

Under traditional budgeting, the base budget is that amount carried over from one year to the next. Each year, approved amounts are added to the base budget. Under expenditure control budgeting, the base budget is that which will be adjusted using an inflationary index approved by Council.

### Beginning Balance

Unencumbered resources available in a fund from the prior fiscal year after payment of prior fiscal year expenditures.

### Bond

Capital raised by issuing a written promise to pay a specified sum of money, called the face value or principal amount, with interest at predetermined intervals.

### Budget

A fiscal plan of financial operation listing an estimate of proposed applications or expenditures and the proposed means of financing them. The budget must be approved by the City Council prior to the beginning of the fiscal year.

### California Public Employees' Retirement System (CalPERS)

The retirement system, administered by the State of California, to which all permanent City employees belong.

### Capital Improvement Program (CIP) and Integrated Capital Assets Plan (ICAP)

The five-year financial plan for improving assets and integrating debt service and capital assets maintenance, adopted in a separate budget document and updated every three years.

### Certificates of Participation (COPs)

A lending agreement secured by a lease on the acquired asset or other assets of the City.

### Community Services Team (CST)

Community Services Team includes Development and Environmental Services, Police, Fire, Economic Development, Human Services, Parks & Recreation, and Housing and Redevelopment.

### Consumer Price Index (CPI)

An indicator of inflation, used in some salary-increase calculations.

### Debt Service

Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes, or certificates of participation (COPs).

### Deficit

An excess of expenditures over revenues (resources).

### Department

An organizational unit comprised of divisions or functions. It is the basic unit of service responsibility encompassing a broad mandate of related activities.

### Designated Fund Balance

The portion of fund balance segregated to reflect the City Council's intended use of resources.

### Encumbrances

A legal obligation to pay funds for expenses yet to occur, such as when a purchase order has been issued but the related goods or services have not yet been received. They cease to be encumbrances when the obligations are paid or terminated.

### Enterprise Fund

A type of fund established for the total costs of those governmental facilities and services which are operated in a manner similar to private enterprise. These programs are entirely or predominantly self-supporting. The City has a number of enterprises such as the Development Cost Center, the Recreation Services Cost Center, and the Senior Center. Also referred to as Proprietary Funds.

### Expenditure

The actual spending of governmental funds.

### Fiscal Year

A twelve-month period of time to which a budget applies. In Fremont, it is July 1 through June 30.

### Fund

An independent fiscal and accounting entity with a self-balancing set of accounts, used to record all financial transactions related to the specific purpose for which the fund was created.

### Fund Balance

The difference between fund assets and fund liabilities.

### Gann Limit

State of California legislation that limits a City's appropriations growth rate to changes in population and either the change in California per capita income or the change in the local assessment roll due to non-residential new construction.

### General Fund

The primary fund of the City used to account for all revenues and expenditures of the City not legally restricted as to use. This fund is used to accumulate the cost of the City's general operations.

### General Obligation Bond

Bonds backed by the full faith and credit of the City, used for various purposes and repaid by the regular revenue raising powers (generally property taxes) of the City.

### Grant

Contributions or gifts of cash or other assets from another governmental entity or foundation to be used or expended for a specific purpose, activity, or facility. An example is the Community Development Block Grant provided by the federal government.

### Interfund Transfers

Moneys transferred from one fund to another, such as from a fund receiving revenue to the fund through which the resources are to be expended.

### Local Improvement District (LID) Bonds

Bonds paid for by special assessments on benefiting property owners for specific capital improvements.

### Materials, Supplies and Services

Expenditures for items which are ordinarily consumed within a fiscal year.

### Memoranda of Understanding (MOUs)

The result of labor negotiations between the City of Fremont and its various bargaining units.

### Non-departmental

Appropriations of the General Fund not directly associated with a specific department. Expenditure items and certain types of anticipated general savings are included.

### Object Code

The line item where a revenue or expenditure is recorded.

### Objectives

The expected results or achievements of a budget activity.

### Operating Budget

Annual appropriation of funds for ongoing program costs, including salaries and benefits, services and supplies. This is the primary means by which most of the financing, acquisition, spending and service delivery activities of the City are controlled. Reserves and contingencies are also components of Fremont's annual budget.

### Ordinance

A formal legislative enactment by the City Council. It has the full force and effect of law within the City boundaries.

### Overhead

Charged to various funds to cover the cost of administrative services, rent, custodial services, etc.

### Proprietary Funds

Revenues from City of Fremont activities that operate as public enterprises. Revenues derive from fees charged to users, and the programs are largely cost-covering. Also referred to as Enterprise Funds.

### Reserved Fund Balance

Accounts used to record a portion of the fund balance as legally segregated for a specific use or not available for appropriation.

### Resolution

A special order of the City Council which has a lower legal standing than an ordinance.

### Salaries and Benefits

A budget category which generally accounts for full-time and temporary employees, overtime and all employee benefits, such as medical, dental, and retirement.

### Hotel/Motel Tax

A tax imposed on travelers who stay in temporary lodging facilities within the City. Also referred to as a Transient Occupancy Tax.

### Transfers In and Transfers Out

Movement of revenue out of one fund to another. The recipient fund uses the money to cover the cost of services provided (such as when the General Fund transfers money to the Recreation Cost Center) or to cover the cost of a contract between two funds (such as when the General Fund transfers money to the Development Cost Center).

# Gann Limit

Article XIIIB of the California Constitution (enacted with the passage of Proposition 4 in 1979, with modifications under Proposition 111 passed in June 1990 and implemented by California Government Code sections 7900, and following) provides the basis for the Gann appropriation limitation. In brief, the City's appropriations growth rate is limited to changes in population and either the change in California per capita income or the change in the local assessment roll due to new, non-residential construction.

The formula to be used in calculating the growth rate is:

$$\frac{\text{\% change in population} + 100}{100}$$

***times***

***either***

$$\frac{\text{\% change in per capita income} + 100}{100}$$

***or***

$$\frac{\text{change in non-residential assessments} + 100}{100}$$

The resultant rate times the previous appropriation limit equals the new appropriation limit.

Both the California per capita personal income price factor and the population percentage change factors are provided by the State Department of Finance to local jurisdictions each year. Population percentage change factors estimate changes in the City's population between January of the previous fiscal year and January of the current fiscal year. Reports that present changes in new, non-residential assessments are provided by the County of Alameda. These numbers provide the basis for the factor to be used in the City's calculation of the Gann Limit. Of the two methods above, the City is using the "change in non-residential assessments" factor, as it results in the higher appropriations limit.

On May 1, 2003, the State Department of Finance notified each city of the population changes and the per capita personal income factor to be used in determining appropriation limits.

Using the change in assessed valuation for new, non-residential construction method, the calculation as applied to the City of Fremont for 2003/04 is:

The population on January 1 of the previous year (208,591) compared to the population on January 1, 2003 (208,998), is 407 or a 0.1951% increase.

The change in the assessed value for new, non-residential property is 3.9786%.

The factor for determining the year-to-year increase is computed as:

$$\frac{0.1941 + 100}{100} \quad X \quad \frac{3.9786 + 100}{100} \quad = \quad \underline{1.0418}$$

Applying this year's factor of 1.0418 to last year's limit of $307,065,329, the Gann Limit for FY 2003/04 yields $319,900,660. Based on an operating budget of approximately $106,830,000, Fremont is not at risk of exceeding the Gann Limit. The Gann Limit was adopted by the City Council concurrently with the adoption of the FY 2003/04 operating budget.

**RESOLUTION NO. 9929**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FREMONT APPROVING AND ADOPTING A BUDGET FOR THE FISCAL YEAR JULY 1, 2003 THROUGH JUNE 30, 2004**

WHEREAS, the City Manager has prepared a municipal budget for the fiscal year ending June 30, 2004, entitled “City of Fremont, 2003/2004 Proposed Operating Budget,” (“Proposed Budget”) a copy of which is on file in the office of the City Clerk; and

WHEREAS, the City Council has examined said budget, has conferred with the City Manager and appropriate staff in public study sessions, and has deliberated and considered the budget during public hearings.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Fremont as follows:

Section 1:

The City Manager is hereby directed to prepare the final budget, in substantial conformance with the Proposed Budget, and as directed by City Council, for the fiscal year July 1, 2003 through June 30, 2004. The final budget shall be “City of Fremont, 2003/04 Adopted Operating Budget.” The final budget may be referred to as “the Budget,” and a copy of the Budget shall be filed in the office of the City Clerk. The Budget is hereby adopted and approved.

Section 2:

The City Manager may delegate the authority to implement this resolution to the Chief Financial Officer, or other designated City employees.

Section 3:

The City Manager is authorized to transfer appropriations as needed from savings available in any account in the budget to any other accounts within the same fund to meet overall budget requirements.

Section 4:

The City Manager is authorized to transfer among various funds amounts designated as “Transfers” in the budget, said transfers to be made in increments and at intervals determined by the City Manager.

Section 5:

The City Manager is authorized to increase appropriations for fiscal year 2003/04 expenditures in an amount not to exceed the amount of funds encumbered, but not yet expended, from fiscal year 2002/03. The actual amount of the increased appropriation due to encumbrances will be reported to City Council, as part of the results of the annual financial audit for fiscal year 2002/03.

Section 6:

When revenue estimates for the Development and Environmental Services cost center exceed the amount identified in the Budget due to increases in development and fee activity as verified by the Chief Financial Officer, the City Manager is authorized to increase appropriations for fiscal year 2003/04 expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Chief Financial Officer, and reported to City Council as part of the results of the annual financial audit for fiscal year 2003/04. The multiplier used to calculate billing rates for planning services provided by the Development and Environmental Services cost center is anticipated change from 2.7 to 2.8, subject to subsequent Council action. The multiplier used to calculate billing rates for engineering services will remain 2.7.

Section 7:

When revenue estimates for the Recreation cost center exceed the amount identified in the Budget due to increases in recreation fee activity as verified by the Chief Financial Officer, the City Manager is authorized to increase appropriations for fiscal year 2003/04 expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Chief Financial Officer, and reported to City Council as part of the results of the annual financial audit for fiscal year 2003/04.

Section 8:

When revenue estimates for the Human Services Department exceed the amount identified in the Budget due to increases in grant revenues as verified by the Chief Financial Officer, the City Manager is authorized to increase appropriations for fiscal year 2003/04 expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Chief Financial Officer, and reported to City Council as part of the results of the annual financial audit for fiscal year 2003/04.

Section 9:

When higher than anticipated revenue activity in the General Fund results in increased costs to directly support that activity (e.g., automated traffic enforcement), the City Manager is authorized to increase appropriations for fiscal year 2003/04 expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Chief Financial Officer, and reported to City Council as part of the results of the annual financial audit for fiscal year 2003/04.

Section 10:

The Budget Uncertainty Reserve, established in the previous year as a temporary reserve, shall be made permanent beginning in fiscal year 2003/04. The initial funding for this reserve was $6.2 million. The fiscal year 2003/04 Budget provides for the increasing of the reserve to $7.9 million. The purpose of this reserve is to provide transition funding to allow orderly responses to reductions in major revenues due to local, regional, and national economic downturns, and to unavoidable cost increases. The City Manager will report any need to use this reserve to City Council as part of the periodic budget review. All uses of this reserve shall be approved by City Council.

Section 11:

The City Manager is instructed to use restricted funding sources in accordance with the requirements of the funding sources prior to using funds with unrestricted resources in order to allow the City the greatest flexibility in meeting its financial obligations

Section 12:

Each Councilmember is authorized $5,600, and the Mayor is authorized $10,000, for Council travel and expense reimbursement.

Section 13:

The City Manager is instructed to implement all policies contained in the "Policies" section of the Budget.

Section 14:

This resolution shall take effect immediately upon its adoption.

ADOPTED June 10, 2003, by the City Council of the City of Fremont by the following vote to wit:

AYES: Mayor Morrison, Vice Mayor Pease, Councilmembers Cho and Dutra

NOES: None

ABSTAIN: None

ABSENT: Councilmember Wasserman

GUS MORRISON
Mayor

ATTEST:

RICK CALDEIRA
Deputy City Clerk

APPROVED AS TO FORM:

MICHAEL W. BARRETT
Senior Deputy City Attorney

**RESOLUTION NO. 9928**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FREMONT ESTABLISHING THE APPROPRIATIONS LIMIT FOR 2003/04 FOR THE CITY OF FREMONT**

WHEREAS, Article XIIIB of the California Constitution (enacted with the passage of Proposition 4 in 1979; with modifications under Proposition 111, passed by the voters of California in June 1990; and implemented by California Government Code sections 7900, and following), specifies appropriations of governmental entities may increase by an amount not to exceed the change in population and the change in either the California per capita income or the change in non-residential assessed valuation due to new construction within the City; and

WHEREAS, documentation used in the determination of the 2003/04 appropriations limit has been available to the public prior to City Council's determination in this matter, as required by Government Code Section 7910.

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Fremont, pursuant to the appropriations limit formula set forth by Government Code Section 7900-7913, does hereby establish the appropriations limit for 2003/04 for the City of Fremont as documented in Exhibit A, attached hereto and incorporated herein by reference as though fully set forth.

BE IT FURTHER RESOLVED, the City Council of the City of Fremont adopts as the adjustment factors for use in determining the 2003/04 appropriations limit the following:

Population Factor: The percentage change in the City's population from January 1 of the preceding calendar year to January 1 of the current calendar year as provided in the State of California Department of Finance Price and Population Information publication, dated May 1, 2003.

Inflation Factor: Use the change in new, non-residential construction for FY 2001/02, the last complete year for which information is available.

ADOPTED June 10, 2003, by the City Council of the City of Fremont by the following vote, to wit:

AYES: Mayor Morrison, Vice Mayor Pease, Councilmembers Cho and Dutra

NOES: None

ABSTAIN: None

ABSENT: Councilmember Wasserman

GUS MORRISON
Mayor

ATTEST:
RICK CALDEIRA
Deputy City Clerk

APPROVED AS TO FORM:
MICHAEL W. BARRETT
Senior Deputy City Attorney

# RDA RESOLUTION NO. 333

**A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF FREMONT APPROVING AND ADOPTING A BUDGET FOR THE FISCAL YEAR JULY 1, 2003 THROUGH JUNE 30, 2004, APPROVING APPROPRIATIONS FOR CAPITAL PROJECTS, REFLECTING FINDINGS MADE REGARDING PUBLIC IMPROVEMENTS, AND MAKING FINDINGS REGARDING PLANNING AND ADMINISTRATIVE EXPENDITURES FUNDED WITH AFFORDABLE HOUSING MONIES**

WHEREAS, the Executive Director has prepared an Agency budget for the fiscal year ending June 30,2004, entitled "Redevelopment Agency Proposed Budget FY 2003/2004," attached hereto as Attachment 1; and

WHEREAS, the Agency Board has conferred with the Executive Director and appropriate staff in public meetings, and has deliberated and considered the proposed budget during public hearings; and

WHEREAS, pursuant to the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.; the "Redevelopment Law"), the City Council has adopted and the Redevelopment Agency of the City of Fremont (the "Agency") is responsible for implementing: (1) the Amended and Restated Redevelopment Plan for the Niles Redevelopment Project (the "Niles Plan"), as recently amended and restated pursuant to Ordinance No. 2295 dated July 7, 1998, pertaining to the Niles redevelopment project area as described therein (the "Niles Project Area"); (2) the Amended and Restated Redevelopment Plan for the Irvington Redevelopment Project (the "Irvington Plan"), as recently amended and restated pursuant to Ordinance No. 2294 dated July 7, 1998, pertaining to the Irvington redevelopment project area as described therein (the "Irvington Project Area"); (3) the Amended and Restated Redevelopment Plan for the Centerville Redevelopment Project (the "Centerville Plan"), as recently amended and restated pursuant to Ordinance No. 2296 dated July 7, 1998, pertaining to the Centerville redevelopment project area as described therein (the "Centerville Project Area"); (4) the Amended and Restated Redevelopment Plan for the Fremont Industrial Redevelopment Project (the "Industrial Area Plan"), as recently amended and restated pursuant to Ordinance No. 2297 dated July 7, 1998, pertaining to the Industrial redevelopment project area as described therein (the "Industrial Project Area"). The Niles Plan, the Irvington Plan, the Centerville Plan, and the Industrial Area Plan are sometimes collectively referred to as the "Redevelopment Plans." The Niles Project Area, the Irvington Project Area, the Centerville Project Area, and the Industrial Project Area are sometimes collectively referred to as the "Project Areas;" and

WHEREAS, to assist in implementing the Redevelopment Plans, the Agency by resolutions of June 23, 1998 and February 23, 1999, has adopted and amended a five-year implementation plan (the "Implementation

Plan") pursuant to Section 33490 of the Redevelopment Law; and

WHEREAS, in furtherance of the Redevelopment Plans and the Implementation Plan, the Agency desires to provide financial assistance for the public improvements generally listed and described in lines 1 - 4 of Attachment 2 (the "Project Appropriations Plan") of this Resolution and incorporated herein by this reference (collectively, the "Public Improvements"); and

WHEREAS, in considering approval of this Resolution, the Agency and the City Council have complied with the requirements of the California Environmental Quality Action ("CEQA") in the manner found and determined below; and

WHEREAS, the following additional materials (collectively, the "Supporting Documents") have been presented to and considered by the Agency in support of the findings and approvals set forth in this Resolution: (1) the staff report of June 10, 2003 accompanying this Resolution; and (2) the Redevelopment Plan Amendments EIR and the Redevelopment Plan Amendments EIR Resolutions (both as defined below). The Supporting Documents are hereby incorporated by reference in this Resolution and, together with the above recitals (the "Recitals"), form the evidentiary basis and establish the analytical route for reaching the ultimate findings and conclusions contained in this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Agency Board of the Redevelopment Agency of the City of Fremont that the above Recitals are true and correct and have served, together with the Supporting Documents, as the basis for the findings and approvals set forth below.

BE IT FURTHER RESOLVED, by the Agency Board of the Redevelopment Agency of the City of Fremont as follows:

The Executive Director is hereby directed to incorporate any amendments to the proposed budget, as made by the Agency Board during the meeting of June 10, 2003 (as described in Attachment 1, attached hereto and incorporated herein by reference) for the fiscal year July 1, 2003 through June 30, 2004, into a document entitled "Redevelopment Agency Adopted Budget FY 2003/2004." The adopted budget may be referred to as "the budget," and a copy of the budget shall be filed in the office of the City Clerk. The budget is hereby adopted and approved; and

The Executive Director may delegate authority to implement this resolution to the Chief Financial Officer, or other designated Agency representative; and

The Agency Board does hereby adopt City of Fremont budget policies, as identified in the City's FY 2003-2004 Adopted Operating Budget for use by the Agency, to the extent the policies are relevant and allowable by law; and

The Executive Director is authorized to transfer appropriations as needed from savings available in any object account in the Agency's budget (other than the accounts of Affordable Housing) to other accounts to meet overall budget requirements. Likewise, the Executive Director is authorized to transfer appropriations as needed from savings available in any object account in the Agency's Affordable Housing budget to other accounts in the Agency's Affordable Housing budget to meet overall budget requirements; and

The Executive Director is hereby authorized to transfer among Redevelopment funds amounts designated as "Fund Transfers" in the budget, said transfers to be made in increments and at intervals determined by the Executive Director. The Executive Director is hereby authorized to cause Redevelopment funds to be restructured as needed to meet accounting requirements and provide financial reports as efficiently as possible; and

The Executive Director is hereby authorized to display expenditures of the Agency as "Fund Transfers" in financial statements, when needed to provide clarity and consistency for financial reporting; and

In accordance with California Health and Safety Code Section 33606:

(1) The proposed expenditures and anticipated revenues are shown in Attachment 1;

(2) The Agency proposes no additional issuance of bonded indebtedness during FY 2003/04 at this time;

(3) The Agency proposes to continue existing indebtedness, such as the bonds issued in 2000 and 2003 and the Agency's responsibility to contribute funding toward interchange construction projects;

(4) The Agency's work program and goals for next year and achievements for the current year are included in Attachment 1; and

(5) The Agency Board does hereby find that the planning and administrative expenses of the Affordable Housing Fund are necessary for the production, improvement, or preservation of low and moderate-income housing. The salaries, benefits, and operating expenditures of the proposed annual operating budget for the Affordable Housing Fund are $976,358, which is less than 5% of the $21.3 million total proposed expenditures for operations, capital projects and programs. This low level of planning and administrative expenses supports the conclusion that the expenditures are necessary.

BE IT FURTHER RESOLVED that the Agency hereby finds for the following reasons, and based on the provision of Public Resources Code Section 21090, that the Redevelopment Plan Amendments EIR (as defined below) has served as the environmental documentation pursuant to CEQA for approval of this Resolution. "Redevelopment Plan Amendments EIR" means the Environmental Impact Report for the Fremont Redevelopment Plan Amendments and Merger Program (State Clearinghouse Number 97112014) certified by the City Council and Agency pursuant to Resolutions 9314 and 217, respectively, on June 23, 1998 (together, the "Redevelopment Plan Amendments EIR Resolutions"). Specifically, the Agency finds that the

Redevelopment Plan Amendments EIR was prepared as a “program” EIR, and that the design and development of the Public Improvements is within the scope of the program evaluated in the Redevelopment Plan Amendments EIR. The Agency further specifically finds that there have not been any of the following occurrences since the certification of the Redevelopment Plan Amendments EIR that would require a subsequent or supplemental environmental document in connection with approval of this Resolution:

(1) There have not been substantial changes in the Public Improvements that are the subject of this Resolution which would require major revisions in the Redevelopment Plan Amendments EIR; and

(2) There have not been substantial changes with respect to the circumstances under which the Public Improvements are being implemented pursuant to the Resolution which would require major revisions in the Redevelopment Plan Amendments EIR; and

(3) There has not been the appearance of new information which was not known and could not have been known as of the date of certification and approval of the Redevelopment Plan Amendments EIR which is relevant to the certification and approval of the Redevelopment Plan Amendments EIR as it relates to the Public Improvements.

BE IT FURTHER RESOLVED that the Agency hereby finds and directs that the applicable mitigation measures and monitoring program set forth in the Redevelopment Plan Amendments EIR Resolutions shall be incorporated into and implemented in connection with the design and development of the Public Improvements.

BE IT FURTHER RESOLVED that, based on the foregoing CEQA considerations, the Agency Executive Director is authorized to file the appropriate notice of determination documents pursuant to CEQA in connection with the actions and approvals set forth in the Resolution.

BE IT FURTHER RESOLVED that, as the design specifications of the various Public Improvements are finalized, the City and/or the Agency, as appropriate, shall conduct any further appropriate environmental review in connection with the development of the various Public Improvements to the extent, in the manner, and at the times required under the terms of CEQA and the Redevelopment Plan Amendments EIR.

BE IT FURTHER RESOLVED that, based on the information and analysis contained in the Recitals and the Supporting Documents, and in accordance with Health & Safety Code Section 33445 of California Redevelopment Law, the Agency finds that:

No additional legal findings under Health & Safety Code Section 33445 to authorize appropriations for the Public Improvements listed in Attachment 2 (the Project Appropriations Plan) are required to be made this year as the following findings have already been made by the Agency Board (through Resolution 299 and previous resolutions of the Agency) with respect to all of the affected projects included in the Project Appropriations Plan:

(1) The improvements benefit the Redevelopment Project Areas;

(2) There are no other reasonable means of financing the improvements;

(3) The improvements will assist in the elimination of blight and are consistent with the Implementation Plan.

BE IT FURTHER RESOLVED the Agency Board approves the project appropriations as shown for FY 2003/04 in the Redevelopment Agency Proposed Project Appropriations Plan (Attachment 2). Said appropriations to be made as of July 1, 2003. Agency Board authorizes re-appropriation and carry-forward of unspent appropriations for Redevelopment Agency projects and programs to later fiscal years consistent with the purposes of Redevelopment, as determined by the Chief Financial Officer. The Agency Board authorizes the Executive Director to determine when unspent appropriations are no longer needed in order to complete specific projects or programs and authorizes the Executive Director to release those unspent funds to unallocated fund balance of the fund from which the appropriations were originally made. The Agency Board does hereby adopt, and the Chief Financial Officer is instructed to implement, City of Fremont Capital Improvement Program/ Integrated Capital Assets Program (CIP/ICAP) budget policies for use by the Agency to the extent the policies are applicable and allowable by law.

BE IT FURTHER RESOLVED that this Resolution shall become effective immediately upon its passage and adoption.

ADOPTED June 10, 2003, by the Redevelopment Agency of the City of Fremont by the following vote, to wit:

AYES: Chair Morrison, Vice Chair Pease, Agencymembers Cho and Dutra

NOES: None

ABSTAINED: None

ABSENT: Agencymember Wasserman

GUS MORRISON
Agency Chair

ATTEST:

RICK CALDEIRA
Deputy Agency Secretary

APPROVED AS TO FORM:

LARISSA M. SETO
Senior Deputy Agency Counsel